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AMERICAN MANAGEMENT ASSOCIATION

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OCTOBER, 1955

The Management Review

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The Rush to Diversify

AT THE HEIGHT of the most prosperous era in U.S. history, when almost any company could be excused for sticking to the things that are working so well, thousands of companies are furiously diversifying into new lines. Some are bringing out their own new products ("diversifying from within"), some are buying new products, some are buying other companies to get new products, and some are doing all three. Companies are practically queuing up for the services of management consultants specializing in diversification.

U.S. business diversifies, it goes without saying, to make money—or, as the management consultants put it, to improve and stabilize earnings. There are, of course, a large variety of specific reasons why companies think they will make money by diversifying; Thomas A. Staudt, assistant professor of marketing at Massachusetts Institute of Technology, has enumerated no fewer than 43. Professor Staudt's list, however, may be boiled down to four major reasons: (1) as a means to growth; (2) to offset seasonal or cyclical fluctuations; (3) to offset a declining or stagnant market; (4) to take advantage of the tax structure.

Diversification always sounds very logical, indeed unavoidable, after a company has carried it out successfully. But when and how much to diversify is in fact one of the most difficult decisions in U.S. business. And it is a peculiarly difficult decision because it turns so largely on a management's appraisal of itself: specifically, on whether it has the ability to manage more than it is already managing.

Today the first thing done by a company that wants to expand its line is to size itself up as it has never sized itself up before—to ask itself, in effect, what its assets really are, what its weaknesses are, whether it is making the most of its present "situation," and so down the list of searching questions that every competent manager poses when he appraises the other fellow.

An intelligent chief executive, if he and his colleagues are serious about diversifying, makes a long-term project of it, entrusting it to a committee headed by a man with vice-presidential status.

It is partly because diversification is not always easy that it is improving the abilities and performance of U.S. business. The self-searching, stocktaking, and experiment that diversification generates are the very elixir of economic life. In a company with an urge to diversify, executives' eyes are constantly being opened not only to obvious things that have been missed but to possibilities that nobody had dreamed of before.

What is diversification actually doing to the economy's stability, competitiveness and efficiency?

Diversification probably makes it harder for a business cycle to start. Diversified companies can quickly shift capital expenditures from declining lines into growing lines and thus help

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prevent overaccumulation of capital. And it can be argued that diversified companies are less likely to pile up excessive total inventories, simply because the demands for all their products are not likely to soften at the same time.

Certainly diversification mitigates a cycle. When a company is smitten hard because it is undiversified, it often finds itself compelled to retrench disproportionately. But when a company's sales drop, say only 10 per cent because it has diversified, it can absorb the decline more easily, and is usually in a mood to continue its research and other long-term projects.

Diversification diminishes, in effect, the relative importance of each industry, it stimulates and even compels research and planning, and it nourishes competition.

Not everybody, it is true, would agree that diversification nourishes competition. For the great paradox of competition is that it often means the elimination of competitors, and the abiding problem of practical competition is therefore how to compete effectively today without stacking the cards against competition tomorrow.

Back in the latter days of World War II, when the talk of "the postwar" was heavily tinctured by New Deal concepts of the "mature economy," there was much doubt, even among business men, about the trend to diversification. In 1945 the late Lawrence Ottinger, founder and president of U.S. Plywood, prophesied that in the near future every industry would invade every other industry's territory. All big enterprises, he lamented, would prosper tremendously for a time but wind up by ruining all concerned; the nation's businesses were getting equipped to steal 200 million customers from one another when there were only 135 million to steal.

But the postwar diversification did not wind up ruining all concerned. As technology opened up new fields, production expanded much faster than the population; rising productivity reduced by nearly 2 million a year the number of people needed to do the nation's work. Consumer demand and business investment, however, kept employment up. This in turn provided business with the equivalent of nearly 2 million new customers a year, which in turn made expansion by diversification easy and natural.

Fortune's studies of American productivity trends suggest strongly that the economy will expand faster than ever, that the opportunities for healthy diversification will grow, and that the possibility of diversifying the economy to death will diminish. Given a wise administration of the antitrust laws, and barring depression, diversification should continue to be what it has been so far: a powerful stabilizer and accelerator of the economy.

—GILBERT BURCK. *Fortune*, September, 1955, p. 91:8.

INDUSTRY, SELF-DENIAL, and temperance are the laws of prosperity for men and states; without them advance in the arts and in wealth means only corruption and decay through luxury and vice. With them progress in the arts and increasing wealth are the prime conditions of an advancing civilization which is sound enough to endure.

—WILLIAM GRAHAM SUMNER

The Revolution in Business Flying

In this era of industrial decentralization, the many companies who have shifted their plants to smaller towns have become saddled with another problem: the increasing difficulty of executive travel. Company-owned airplanes have provided one important solution to this problem.

Prior to 1940, approximately 50 per cent of all plants were located in cities having a population of more than 100,000. Since then, this figure has dropped to about one-third. About 30 per cent of all new plants were established in towns of less than 10,000 population.

Business men who have turned to the privately owned small "company airplane" report that flying has provided substantial savings of executive time. It has put traveling on a speedy, economical basis, has given the company an extra portion of prestige, and has even increased safety to travelers. There are 12,000 company-owned airplanes operating today and an additional 9,500 private planes being used more than 50 per cent of the time for business.

An example of the effect of company aircraft on the business of a small manufacturer in a comparatively inaccessible location is demonstrated in the case history of the Rynel Corporation of Sterling, Ill. Sterling is approximately 125 miles from Chicago and is serviced only by a once-a-day train. When the company purchased its first airplane several years ago, only 35 employees were on the payroll. The physical assets of the company were worth about $125,000.

Within 30 days after the purchase of the plane, Rynel's business backlog went from $30,000 to $300,000. Company spokesmen explained this spectacular rise in business as a direct result of the acquisition of the plane; salesmen were able to get to the potential customer and then bring the customer back to investigate facilities for wider and closer relationships. In the marketing of a highly technical product, this expanded communications and transportation system proved invaluable.

Two years after this initial investment, the backlog rose to $3 million; the number of employees tripled; and the physical assets reached a high of over $600,000. During this period, the company increased its air wing from one to three planes.

What does it cost to operate a company plane? As might be expected, aircraft operating costs are variable, depending upon hours of operation, type and age of aircraft, geographical location, maintenance, depreciation policy, number of aircraft operated, etc. Figures computed from questionnaire forms submitted to business aircraft operators by the National Business Aircraft Association indicate that average total operating costs per flight hour that may be expected for various types of aircraft range from $34 to $53 for typical single-engine planes and from $96 to $279 for

various types of multi-engine craft.

It is estimated that a minimum of two-thirds of the total cost of the airplane operations continues whether the plane is flown or parked in a hangar. For economical utilization, a business airplane should be operated from 400 to 600 hours per year. An average of 50 hours per month is considered normal.

—*Management Methods*, August, 1955, p. 18:2.

Medical Examinations for Executives: A Survey

BECAUSE of the frequency of serious illnesses and deaths in their executive groups, many companies are giving more thought to preventive health programs providing periodic medical examinations for their key personnel. To obtain comprehensive information on the practices of New York firms regarding medical check-ups for executives, the Commerce and Industry Association of New York recently surveyed practices of a large group of its members.

Three hundred nineteen firms employing 280,000 persons in New York City participated in the survey. Of these, 130 (41 per cent), employing more than 190,000 people, provide periodic medical examinations for their executives. One hundred eighty-nine firms (59 per cent) reported that they have no such plans; but of these, 87 (46 per cent) reported that they are interested in the development of such programs. The remaining 102 firms said they were not interested in the development of such plans. Interestingly, this group, representing 32 per cent of the total number of firms, employs but 8.5 per cent of the total personnel covered by the survey.

Of the firms which have no plans at present but are interested in setting them up, 63 per cent would cover only top management people. Only 6 per cent would cover all employees. Of these firms which now provide medical examinations, 119 firms (92 per cent) reported a total of 14,856 executives and employees examined each year.

In 21 per cent of the plans reported, periodic medical examinations are compulsory for the personnel included. In 79 per cent, participation is voluntary. Among the voluntary plans, the proportion of eligible executives and others who participate ranges from 100 per cent down to 10 per cent, but averages nearly 80 per cent.

As to the type of person covered by the programs: All plans (130) cover top policy-making executives, 112 plans (86 per cent) cover middle management, 62 (48 per cent) cover first-line supervisors, and 49 (38 per cent) include key non-supervisory personnel.

There are no age restrictions in 89 per cent of the plans reported, nor is there a salary minimum in 91 per cent of the plans. Ten per cent of the plans, however, have minimum age requirements of 30, 35, 40, 45, or 50 years, the greatest concentration being "40 years of age and over."

Examinations are most frequently given every 12 months (89 per cent). Four per cent of the companies give examinations every six months and 6 per cent every 24 months. A few companies have different examination schedules for different types of employees.

In 94 per cent of the firms, the entire cost of the examination is borne by the company, regardless of how the examination is conducted. In only one instance does the company bear no part of the expense of examination.

Eighty-six per cent of the firms report all examinations are made under one uniform arrangement. Thirty-four companies (26 per cent) conduct all examinations in their own medical departments. Forty-nine firms (38 per cent) use outside clinics exclusively, and 28 (22 per cent) use only private physicians of the company's choice. Only two firms rely solely on a physician of the employee's choice.

The other companies (14 per cent) offer a choice of examining arrangements involving some combination of the above methods.

Forty-two companies (32 per cent of the total) require examination findings to be transmitted to them. Seventy-nine (61 per cent) do not. The executive himself receives the findings in some form in 123 companies (94.6 per cent).

The stated purposes of the examination and the uses made of its results are: to detect incipient trouble, 29 per cent; for the employee's benefit, 24 per cent; used in connection witn promotion and/or retirement, 12 per cent; no reports on results of examination made to company, 9 per cent; transfers, 6 per cent; for the exclusive use of the executive and his physician, 5 per cent; no report made to company, except in case of major findings, 4 per cent; used for general information, 4 per cent; policy not yet established, 3 per cent; no special use made, 2 per cent; not stated, 1 per cent.

The cost of each examination, when made by an outside clinic or physician, runs anywhere from $4 up to $300, but averages $50.

Most of the 55 companies which made comments regarding their own executive examination plans, or such programs in general, stressed their importance to the over-all welfare of business. It was emphasized that these programs serve to encourage executives to take greater interest in their health and safeguard it through regular check-ups which may enable them to take timely remedial measures as required. As a result, executive performance is often improved and the executive's lifespan extended.

—*Personnel Management* (Commerce and Industry Association of New York, Inc.), August 3, 1955.

AMA OFFICE MANAGEMENT CONFERENCE

The AMA Office Management Conference will be held on Monday, Tuesday, and Wednesday, October 17-19, at the Hotel Statler, New York.

Facts on the U. S. Productivity Upsurge

U.S. INDUSTRY has increased the rate for output of goods and services by almost 30 per cent since the end of World War II, an analysis by the U.S. Chamber of Commerce disclosed recently. The Chamber based its estimate largely on statistics prepared by the Congressional Joint Committee on the Economic Report.

The analysis shows that from January, 1946, to January, 1954, the nation's output per man-hour increased about 23 per cent.

During the past 18 months, the productivity increase has been accelerated by the growth in the use of automatic machines. For 1954, unofficial government estimates place the productivity increase at 4 to 6 per cent. The rate undoubtedly continues high for the first six months of 1955, economists say.

Wide variations exist in productivity gains for different industries, the Chamber reported. Since 1929, for example, productivity in the paper industry has increased by 58 per cent, in the cement industry by 96 per cent, and in synthetic fibers by 847 per cent.

Output per man-hour has increased threefold since 1909 and doubled between 1923 and 1953.

Dramatic as the productivity gains are, they have been fully matched by wage increases. Since 1929, average hourly earnings of factory workers have increased 104 per cent, as compared with an increase of 97 per cent in the average output per worker.

—*Washington Report* (U. S. Chamber of Commerce) 7/22/55

Good Follow-up Habits for Executives

FAILURE TO FOLLOW THROUGH can spoil the best-planned project or damage a good relationship. That's why it will pay you to develop these eight good follow-up habits:

1. *Mark it ahead* when a good idea comes up which you cannot use immediately.

2. *Set a follow-up date* to start collecting the necessary data at the beginning of the next fiscal period, when top management requires information your records lack.

3. *Note birthdays or anniversary dates.* When you learn a date important to a customer or distributor—or possibly to your own secretary—put a note in your follow-up to come up two weeks before the date as a reminder to send a card or gift.

4. *Revision list.* Put a copy of every report you make in your follow-up file to remind you when the next revision is due.

5. *Salary increases due.* When a subordinate does a particularly good job, record it with a follow-up to come up when salary increases are due.

6. *Record all achievements* worth preserving: awards, favorable publicity, complimentary letters from customers, distributors, superiors, etc., as an aid when making reports on activities in your department.

7. *Personal secretary.* Let your follow-up file remind you of insurance payments, car payments, etc., when due.

—*Printers' Ink*

Economic Security: The Challenge to Management

In the life of any nation, the primary responsibility for economic development rests with management. Management creates the opportunity not only to make a living but to make an increasingly better living. In other words, the system of enterprise depends for its survival upon the ability of management to meet that responsibility.

Our complex economic system has brought about a complex set of social problems. So far, our management has not succeeded in solving them. But the problem of economic security for the individual cannot be solved without management—not within our system of enterprise. If it is solved without management, it will be at the expense of that system.

Economic security in its over-all significance has become more important during the past 10 or 15 years.

Ten and 15 years ago, many thought that the government attitude on the problem of individual security depended upon who was in power. Today, we know that no matter which party is in power, it is likely to advocate expanded programs. We know that, barring periods of depression or serious recession, labor will insist upon greater benefits.

All of us, of course, want more and hope to get more. Wanting more and getting more is the very history of the United States. But the wanting and the getting change form and method. A hundred years ago, a person who wanted more, got more only by working harder and longer, being more determined, and being more thrifty. Today, it is still the individual who wants more. But now, it is the group, generally speaking, which gets it for him.

A hundred years ago, people did not have to find out whether industry could afford to give more, whether the national economy could provide more. Today, we *must* find out whether industry can afford it, whether the nation can stand it. Basically, the difference in this: In the past, the determining factor was "How willing are you?" In our day, it is "How strong is your group?"

Management has done and is doing a great deal about benefit programs in one way or another. But management in the institutional sense has never dealt with all the aspects of economic security for all of the people. Management has confined effort and attention to the company, the industry, the community. It has not developed a constructive program regarding economic security in its total sense. Indeed, it has not developed leaders who have made a careful study of or given sustained attention to this problem.

Meanwhile, however, labor leaders have made a powerful impression on the public that *they* have a positive action program on economic security in its total sense. This is equally true of some spokesmen in government. We

may not like what they have to say or agree with their conclusions, but there is no question that they understand what they are talking about.

And so we find that the American system of enterprise, with its superb industrial achievement and technical accomplishment—which is the envy of every nation on the face of the globe and should hold out the greatest hope to all mankind—is actually struggling for its own survival. As a result of the positive attitude on the part of labor leaders and government spokesmen, as a result of the confused attitude on the part of management, the initiative in the development of economic security measures has not been with management through all these years. On the contrary, management is steadily losing ground in that more and more of the social responsibilities that arise from economic development are gradually becoming the responsibility of government, especially of the Federal Government.

What, then, is management to do? First and foremost, it must give thought and attention to the problem not only as it concerns its own company, its own organization, but especially as it concerns the nation. Instead of passing the problems of economic security along to the industrial relations department, or the medical department, or the insurance department, management must recognize these problems as surface manifestations of a complex, dynamic, national problem. Instead of passing the buck to the large employer organizations, management must meet its own responsibility to these organizations—not as chairmen or presidents of companies but as the responsible leaders of a far-flung economic system. Management must decide where it stands, whether and in which direction it wants to proceed, how far it *should* go, how far it *can* go. Briefly, management must make up its mind on economic security.

—From an address by GERHARD HIRSCHFELD before the Research Council for Economic Security.

Ten Ways to Reduce Paper Waste

TODAY'S office executive is concerned not only with office communications in the areas of correspondence, forms, and reports but also with the responsibility of effective economies in stationery expense. To be practical and effective, the reduction in paper waste should be related to the objective analysis of areas where it is being applied. Here are 10 ways in which paper waste can be reduced without sacrificing the potential benefits of the use of paper in office methods:

1. *Control the number of copies made by facsimile reproducing methods.* The use of modern methods of reproducing forms, letters, and reports has increased tremendously during the past year or two. When facsimile reproduction methods are used, make only essential copies—no spare copies "just in case." In one Midwest bank, four

copies of an amortization schedule were required. The officer who ordered the copies requested six copies, just to be sure. He finally received eight copies because the machine operator figured "they would probably want more."

2. *When ordering forms, relate quantities to use of form, turnover of stock, and economies of mass production.* Since larger runs of forms do not cost much more than smaller runs, it often appears economical to order as large a supply as possible. A manufacturing company, requiring 5,000 copies of a trial stock order form, found it could purchase an extra 5,000 copies for little more than the cost of the paper. Before the basic 5,000 copies were used, it was found that a different type of form would save clerical help. The result was that more than 7,000 copies were useless—a considerable waste of paper prompted by large-run "economies."

3. *Relate the grade and weight of paper to the task.* Too many temporary and short-period forms are printed on paper stock of a grade which exceeds actual requirements. Failure to take the advice of the printer or paper supplier may be the cause of this waste—for it is waste when higher-priced paper is used on a form that may be retained no longer than 90 days to six months. In the past few years there has been a great improvement in the quality of certain brands of sulfite bonds. Savings may be effected by periodically checking the brands of paper used in the office.

4. *Relate the size of forms and letterheads to their use.* In form design the size of the form should provide for best arrangement of essential data. Too often letterheads, order forms, and other forms which carry varying amounts of information are designed to carry the largest amount, with the result that much of the space is wasted when only a small amount of data is required.

5. *Analyze the number of copies of each form and keep them to a minimum.* Certain principles governing the number of copies should be applied here: Where statistical analysis of data contained in a form is made in different departments for different purposes, copies of the form should be provided each department. Where demand for copies of a form varies, provide the maximum number of copies, because it is less costly to throw away a copy or two than to reproduce additional copies by an additional operation. Where certain departments require notification or information concerning actions taken in other departments, copies of forms or letters originating the action will suffice.

6. *Provide regular scratch pads for office figuring.* The American business man thinks with a pencil in his hand. If a cheap but adequate scratch pad is not provided, a more expensive form or sheet of paper is bound to be wastefully used for this purpose.

7. *Provide office memorandum forms, properly printed, for routing data and for informal office communications.* This form should designate various alternative actions—e.g., "For your file," "Note and return," "Please handle," "Please advise." Titles of individuals to whom the material is to be forwarded should also be shown.

8. *Use both sides of second sheet*

(office copy) for letters running over one page. This will mean savings in paper, in file space, and in paper handling.

9. *Control the establishment of new forms.* The office manager should investigate the need and the use, as well as the cost, of all new forms. He should determine the specifications of the new form—maker's brand, weight and size of the stock, number of copies and their distribution, period of retention, and manner of filing or retention. Obviously, his investigation will be directed to those who will make up the form and those who will ultimately use it.

10. *Periodically survey all forms and reports.* Forms and reports which were essential under the conditions which existed at the time of their origin may be later found non-essential or questionable under changed conditions.

—HARRY WYLIE. *American Business*, June, 1955, p. 24:2.

Investment Education for Employees—One Company's Plan

MORE THAN one in every five of Cleveland Electric Illuminating Company's 4,600 employees has a financial interest in the company that goes beyond his regular pay check. He is a share owner, enrolled in the company's Employee Thrift Plan.

Introduced early last year, the plan emphasizes savings. It enables employees to purchase on a payroll deduction basis U.S. Savings Bonds, company common stock at 15 per cent below market price, or preferred stock at 7½ per cent discount. Monthly subscriptions range from a minimum of $4 to a maximum of 20 per cent of an employee's bi-weekly income.

Among the courses currently being offered as a part of Cleveland Electric's employee education program to employees is a series of nine classes on "The ABC's of Securities." To date, 140 employees have taken this course.

Classes are deliberately restricted to 20 members, to encourage informal discussion and to insure that each employee participates fully. The tyro investor is carefully guided through the intricacies of finance. He is told in simple terms what the principles are which underlie the American pattern of financial investment. The mechanics of investing are carefully explained, and the students are shown how to make use of the fundamental tenets of sound investing.

Emphasis is on practice, not theory. Actual stock certificates, income statements, and other pertinent documents are provided. Stock Exchange operations are taught by case examples, with members taking the roles of buyers, sellers, and floor traders. Recently Cleveland Electric has instituted a series of dinner meetings for employee-stockholders and their wives or husbands, at which the president answers questions and reports on the company's financial standing, developments, and prospects.

—ELMER LINDSETH (President, Cleveland Electric Illuminating Co.) in *The Exchange* 7/55

Long-Range Planning: Business Raises the Sights

THE MOST STRIKING feature about today's business upswing is the extent to which companies are willing to bet on the future—not just the next few months or the next year, but the really long-range future of five or even 10 years from now. The results of a recent nation-wide survey of business plans show that manufacturing companies expect to increase sales on an average of 21 per cent by 1958. And nine out of 10 companies that responded to this survey are already doing something about their great expectations. This explains why industry is placing large new orders for plant and equipment, even though there is substantial unused capacity at the present time.

What are the reasons for this stress on long-range planning, and particularly for the increasing practice of tying company goals to the expected growth in the general economy? To a certain extent, it may be a matter of fashion. Everyone is talking about long-range growth potentials. The President's Council of Economic Advisers, the Congressional Joint Committee on the Economic Report, and a number of private organizations have published growth projections for the over-all economy up to 1970. But such projections are more than talking points. They have stimulated business men and provided guideposts for companies that want to figure their own growth potentials in an expanding economy.

One of the important uses of long-range forecasts is in determining plant design. In the case of very long-lived plants, there are substantial economies to be had by allowing for future capacity—if full capacity can be utilized over the service life of a plant. But the amount of capacity required at a particular plant depends on how much the company expects to expand its over-all operations. This, in turn, requires a forecast of total demand for the industry's products.

A second—and more frequent—reason for long-range estimates is the need for a long-term capital budget. Any company that expects to make large capital expenditures will find it advisable to estimate both its expenditures and the availability of cash to meet such expenditures for several years ahead. More and more company managements are making specific economic forecasts for this purpose, because they find that bankers—and directors—will question capital-raising plans unless they are based on reasonable assumptions about the level of general business.

A third reason for long-range economic forecasts is to enable a company to set its future sales goals—and to set them at a level that will maintain the company's position in the industry and in relation to the total economy.

Whatever a company's approach to forecasting, its greatest difficulty in making a forecast will be found in

the assumptions it has to make about prices. Costs of purchased materials and equipment are almost impossible to estimate accurately in advance. Then there is the matter of forecasting available funds. For most manufacturing companies, the availability of funds depends on profits. True, depreciation allowances provide a means of financing some capital expenditures. However, larger capital expenditures—particularly for expansion—are usually dependent on an increase in retained earnings, which may not actually occur.

The inability to forecast what earnings will be—for they depend on competition, inventory cycles, and many other factors—has limited the use of forward planning by the average manufacturing company. For the large company, profits are both more stable and more likely to follow the general business trend. Thus, of the 100 largest manufacturing corporations in the United States, more than half retain an economist and do some forward planning—despite the experience these firms have had with forecasts that did not turn out correctly. The point is that an economic forecast that is even reasonably close may prevent serious overexpansion of plant capacity—or justify continued expansion at a time when arbitrary cutbacks are proposed.

If this much can be accomplished, even if only by the larger firms, then long-range planning may do much to moderate future fluctuations in business activity.

—ROBERT P. ULIN. *Challenge,* August-September, 1955, p. 48:5.

Business Confidence Runs High

INDIVIDUAL BUSINESS MEN may see some danger signals ahead, but for the most part none believes that his own company's sales and earnings will be curbed this year. And most believe that the first half of 1956 will see a continuation—but at a more moderate rate—of the uptrend which so far has characterized this year.

That, in a nutshell, is the composite opinion of business men as reflected in the annual fall business outlook survey conducted by *The Journal of Commerce.* A total of 371 respondents participated in the survey, representing a substantial cross-section of American business.

Optimism was particularly noticeable in estimates concerning sales, prices, and net profits for the final half of 1955. It also was present in projections for the first half of 1956, but there was a note of concern over the trend of rising costs in relation to competitive pricing.

No one surveyed expected the program of "moderate restraint" instituted by the Federal Reserve System to have a "negative" impact on his company's sales—i.e., to turn sales down below current levels. But a substantial minority thought the tighter monetary policy would tend to slow down the rate of gain in sales, especially in the first half of 1956.

The phenomenon sometimes described as "the other-guy type of thinking" was apparent in some of the survey findings. Most manufacturers, for example, appeared to feel that it was "the other guy" —not themselves—who indulged in excessive expansion of credit.

—M. L. VAN SLYCK in *The Journal of Commerce* 9/19/55

How to Avoid Inventory Headaches

THE YEAR-END physical inventory is a very important task for every manufacturer. Hours must be spent in counting parts and materials, in fixing values for goods in process, and in summarizing the final stock count. Figures of the physical inventory are necessary for income tax returns. More important, they help to determine the efficient operation of your plant, and guide you in future stock maintenance.

Painful as the inventory process is, there are certain measures you can take to lighten the load. Here's how to make the actual stock count quicker, easier, and more accurate:

Make a map of the plant showing all places where any parts and materials are stored. Some production executives charged with physical inventory responsibility find it helpful to number each section of the map to aid in the assignment of employees, in checking out the inventory forms to the sections, in establishing values for the product or materials, and in spot-checking the progress of the physical inventory.

Organize the parts and materials for easy, accurate counting. This step in planning for the physical inventory can reduce overtime and will insure a more accurate valuation of the plant's stock. When all of the parts of one type are in one location, for instance, it is easier to concentrate on this counting and listing. This organization also provides an opportunity to check over the inventory for any missing or inadequate stock.

Select, assign, and instruct the plant employees on their inventory duties. Knowledge of the parts and materials, ability to pay attention to details, and physical strength are factors you may want to consider in selecting and assigning the employees to different sections of your plant for inventory.

With a rough map of the plant, you can assign people to the spot where they will work best. Counting and listing teams can be selected to work together in harmony.

Instructions for the physical inventory should include a time schedule of when the counting will take place, what will be required to move parts after the count, when the final count will start, and any other time factors needed. Most plant executives in charge of inventory recommend that an explanation be given of how the counting and listing should be recorded —size, type, stock number, quantity, etc.

Stop plant activities during the physical inventory. This suggestion will, of course, have to be tempered with local conditions and plant policy. For instance, you may find that you can move down the assembly line with the inventory and not have to bring production to a complete halt.

One place where the final inventory valuation may be thrown out of line is with the shipments of parts and raw materials that arrive after the count is made. When the physical inventory will take more than one day or evening, you may find that

you will eliminate many headaches by stopping all incoming shipments during the count. This provides an opportunity to bring the book inventory up to date with all receiving records.

Prepare inventory valuations in advance. Some production executives find it takes a lot of time to check through all records and quotations to determine the proper valuation of the materials. By preparing a list of the parts and raw materials in advance, it will be possible to establish prices for inventory purposes on all items. This will make counting and listing easier and quicker.

Provide a control of listing sheets. Many times an industrial plant will have a heavy inventory shortage. If this happens, there is usually a recount to check on the accuracy of the first count. Then, in the recount, the total will be just about what the book inventory reveals.

This recount can be avoided by establishing some type of control on all listing sheets. Many plants set up a system of serial numbers for all listing sheets. These numbers are listed on the inventory map for easy checking. Then, if one listing sheet is missing when the summary is being made, it is an easy matter to check the spot where the sheet was assigned.

Spot-checking of actual counts during the inventory is another helpful control. When an error is discovered, it is usually best to have the counting and listing team recount the stock in question. Checkers can make mistakes, too.

Review the results of the physical inventory. One spot for a review is in the "outs" that were not noticed in normal operation. Another thing to check in this review is an excessive inventory of certain items. Knowing these bulges and dents in the inventory makes it easy to take steps to bring about better balance in the line.

—PAUL LOCKWOOD. *Mill & Factory*, August, 1955, p. 87:3.

A Management Approach to Risk Problems

AMONG the most valuable dollars spent by companies are those that are paid for insurance. But management is often less aware of what it is getting, or what it should get, for these dollars than for almost any other money spent by the company.

Perhaps this is because insurance, viewed solely as a cost item, can easily be dismissed as inconsequential. It is usually a low-cost item in the over-all budget and the actual value of the investment is not easily discernible until catastrophe strikes. Insurance is not merely a matter of premiums. It is a matter of the total assets of the company—possibly even more, in some circumstances. A realistic approach to risk and risk management is a top-level responsibility that should never be neglected.

Virtually every company carries some form of insurance, but surprisingly few have developed a stated

policy toward the insurance function. There has not been a conscious effort to describe clearly those areas in which the company will assume the risk and the areas where the risk will be transferred to an outside agency.

In the absence of such a statement it is unlikely that a sound insurance program can be established and maintained. It is especially unlikely in the many companies whose managements look upon the insurance function as an unwelcome step-child.

In many companies there has not even been a planned effort to examine the areas of risk. Such an examination must be in the form of a continuing project, because every business is undergoing constant change. The discovery of new risks and the recommendation of proper action to meet such risks are marks of a well-managed risk department.

A capable and experienced risk manager working with other executives and department heads can usually analyze the risks of a business. Where a full-time risk manager is not available, these functions are usually assigned to one of the financial officers of the company. In either case, the help of outside experts may often be essential in making a risk analysis.

Unfortunately, it is not easy to secure the services of a qualified risk manager even by those companies well able to afford a full-time man. On-the-job training appears to be one solution, provided a trainee can be found with an interest in insurance. The advantage to the company would be especially great because a person trained to handle the insurance problems of a company can usually handle many of the other major company functions.

Having determined what the risks are, having reduced them wherever possible, and having established the possible losses that could be incurred, management is in a position to set up a policy toward insurance. Such a policy will evolve from top-level discussions concerning the kinds of risks that will be insured, the extent to which they will be insured, and how they will be insured.

The statement of policy may vary in length. In any event, it should be clear and should represent the basic thinking of management toward its insurance problems. The degree of detail in the statement generally will reflect the extent to which management wishes to delegate decision-making to the insurance executive.

To assure its being up to date, the policy should be a matter of interest to all segments of the business and should be considered in all changes that affect the operations of the company.

With the policy as a guide, the insurance program itself should be developed on the basis of protection rather than cost. The fundamental objective should be to see that the company never sustains an uninsured loss of such magnitude that it is knocked out of business. Beyond this it should protect the company's assets, its funds, and its earnings against significant losses.

While it is of inestimable help to have the services of an outside expert in the other steps toward developing an insurance program, it is practically essential that such help be used in the

actual buying of insurance, where a knowledge of insurance markets, contracts, and costs becomes paramount.

No matter how sound an insurance program may be, it cannot remain sound without periodic reviews and almost constant modifications. It is not only important that full reports be submitted to management, but that they be read and carefully considered. It is often helpful to prepare the report as a one-page summary of the over-all program, backed up by detailed statements and figures.

To get management to act, it is necessary that the top executive become aware of the full importance of his insurance program. Such an awareness will come when insurance is viewed in terms of its true value. And its true value is measured not by costs, but by coverage.

—*Dun's Review and Modern Industry*, July, 1955, p. 47:5.

"Suggestion System" for Developing Executives

IF TWO HEADS are better than one, 150 ought to be better still. That's the principle behind a system developed by Standard Pressed Steel Co. for passing along to its management people specific problems with a request for suggestions on how to solve them.

The plan has several advantages besides the obvious one of getting ideas. Too often an executive—particularly one a little down the line—is aware only of the problems in his own department. The SPS system helps create an awareness of over-all operations, broadens the outlook of the people concerned, and improves their executive potential. It's good for morale, too.

The system includes a weekly message on a form which is then used by each member of management to report back his week's activities, suggestions on the week's message, suggestions for improving products and procedures, and what he is doing about them.

—*Personnel Administration Service* (The Dartnell Corp., 4660 Ravenswood Avenue, Chicago 11, Ill.)

Deferred Profit-Sharing—A Spur to Turnover?

TO WHAT EXTENT are companies with deferred profit-sharing plans faced with the problem of employees' quitting to secure their share in the profit-sharing funds? Do such companies customarily provide alternative sources of financial aid?

Of 154 companies with deferred profit-sharing plans participating in a recent survey conducted by the magazine *Profit Sharing Trends*, 97 per cent reported a "negligible" termination problem. Almost 80 per cent of all 154 of the plans had been in effect for at least three years.

Twenty-six per cent of the firms replying provided no source of funds other than the profit-sharing plan. Thirty-three per cent had credit unions; 34 per cent had loan or withdrawal provisions in the trust plan; 34 per cent also maintain a cash profit-sharing plan; 2 per cent provided small loans, maintained a thrift plan, or had some discretionary loan device.

The Annual Report: A Survey of Management Thinking

In recent years an increasing number of managements have been recognizing—and taking fuller advantage of—the potentialities of the annual report for bringing the company's story to stockholders, customers, and the general public.

To obtain a representative cross-section of current top-management thinking concerning the annual report, Prof. Robert D. Hay of the University of Arkansas recently conducted a survey among a selected random sample of companies. The 205 companies whose replies formed the basis of the survey findings represented 20 per cent of the total shares of stock outstanding in the U.S., as estimated by the Brookings Institution, and a similar proportion of the shareholders.

These are some of the key findings of the survey, as reported by Prof. Hay in the July, 1955, issue of *The Accounting Review*:

About three-fourths of the companies replying believe that the annual report's objective should be "to furnish a report of the business activities to the stockholders, employees, creditors, government, and the general public." "To furnish a report to the stockholders only" was the answer given by approximately one-fourth of the respondents. More than 90 per cent of the companies replying believed that the report should contain more information than the law or corporation by-laws require, and more than 80 per cent thought the company president, or the author of the report, should "interpret" the information it contains for the benefit of readers.

In 73 per cent of the respondent companies, the annual report is prepared by more than one executive, five being the most frequent number. When report preparation is a joint activity, the treasurer is almost invariably a member of the group. In 12 per cent of the companies, however, he prepares the report alone. The company controller is the sole author in nine firms (less than 5 per cent of the total); the president, in seven; the public relations executive, in six; the secretary, in five; and some other executive, in three.

Sixty-two per cent of the companies include employees in the audience for whom the annual report is actually prepared; 59 per cent include the general public; 42 per cent, creditors (banks, trade creditors, bondholders, etc.); 56 per cent, government agencies and officials; and 41 per cent, other groups.

Slightly more than 12 per cent of the respondents reported that they have actually surveyed their stockholders to determine what types of information they wish to see in the annual reports and how they want it presented. Another 4 per cent are considering the possibility of conducting such a survey.

Less than 3 per cent of the companies replying indicated they regard with favor the idea of preparing two annual reports, one popularized for the general reader and another statistical and financial report for specialists. A frequent comment here was that the company preferred to supply such information directly to the specialist upon request.

Advantages of communicating with stockholders, as cited by the respondents, include: stockholder support of the company (90 per cent), of management (80 per cent), of product (63 per cent), of the free enterprise system (59 per cent), of the price of company stock (42 per cent), and better public relations (87 per cent). In contrast, communicating with employees was seen as providing the following benefits: better employee morale (75 per cent), employee support of the company (69 per cent), avoidance of misconceptions and misunderstanding of the company (64 per cent), better cooperation among stockholders, management, and employees (58 per cent), employee support of private enterprise (50 per cent), employee support of company products (49 per cent), and "reputation for giving to employees information which they can get in no other way" (49 per cent).

Of the total 205 companies reporting, 124 report to the stockholders four times a year. Fifty-six report on an annual basis, and 25 semi-annually. Two hundred three companies list the annual report as a device used for communicating with stockholders; 170 mention stockholder meetings; 168, replies to stockholder letter; 127, dividend enclosures; 102, welcome letters to stockholders; 65, reports on stockholder meetings; 40, contacts by proxies; and 35, reprints of officers' speeches. Other means of stockholder communication, cited by fewer than 20 companies, included stockholders' newsletters, regret letters to departing stockholders, plant visitations, letters to stockholders who increase their holdings, regional meetings, and films on annual reports.

Cost figures reported for the preparation of annual reports were largely estimates, ranging from less than 20 cents per report printed to more than $2. The cost most frequently reported was between 30 and 40 cents.

More than half the respondent companies believe the annual report should cover the following topics (listed in order of their frequency of mention): financial statements, earnings, auditor's report, highlights of the year, dividends, progress made during the year, directory of officers, taxes, future plans, sales, products, employee relations, research, unfavorable news, litigations, production, and stockholders. Sixty-six per cent of the companies thought the report should present various financial ratios for the benefit of readers.

Finally, a majority of the companies report that in recent years they have improved their annual reports in various ways. The improvements include, in order of frequency of mention; report made more attractive, more complete, more clear and understandable, more interesting, more considerate of the reader, more accurately reflecting the character of management, more concise, and more convincing.

What the Minimum-Wage Boost Means to Employers

NEW, SERIOUS—and quite unpublicized—wage problems are looming for management as a result of the hike in the Federal minimum wage rate from 75 cents an hour to $1.00 an hour, effective March 1, 1956.

The economic impacts of this jump will eventually be felt all over the country. Stability of price levels is just one field where repercussions can be important.

While the accumulated pressures may take some time to develop, past experience has shown that it is almost inevitable for a higher minimum to be reflected in the wage structures of firms not directly hit by the boost.

With the $1.00 minimum now a fact, every employer would be wise to take some or all of the following steps:

Check your wage structure to see how many job rates are below, at or near the new minimum.

Determine the cost of maintaining present ratios if some jobs have to be raised.

Check rates of plants in same area to determine how increases in low-wage companies might affect your wage structure.

If you have been a pattern-setter, determine the cost to you of maintaining this status. Then decide whether getting the "cream of the crop" when hiring is worth it, cost-wise.

If you have a union, consider whether it would be better to remove any inequities immediately or stick to your guns until contract termination or reopening time.

Check your hiring rates to determine whether they should be boosted because of higher rates that may be forced on surrounding plants by the new law.

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.), 8/17/55

Do Employees Read Your Annual Report?

DO YOU WANT to check the readership and understanding of your annual report without spending a lot of time and money? The A. E. Staley Manufacturing Co. (Decatur, Ill.) did just that by running a simple quiz contest in its employee magazine. The aim was twofold: to stimulate interest in the annual report and provide some indication of how well its annual message was getting across.

Rather than test some 3,000 employees and tabulate the results, it was decided to limit the contest to a dozen employees whose names were to be drawn at random from personnel department files.

In drafting the quiz, the magazine staff attempted to cover annual report data they felt would be most interesting to employees. Most of the questions are of the multiple-choice variety, and all answers were contained in the current annual report.

All employees below the top executive level are eligible except those in accounting, financial, and personnel departments. The first-place winner gets two shares of Staley common stock (current market value about $29 per share). Other prizes are $15 for second place and $5 for third.

—*American Business* 8/55

A "New Look" in Collective Bargaining

COLLECTIVE BARGAINING, in many ways, may be likened to a theatrical production. Generally, it takes place in three acts. It has overtones of comedy and undertones of tragedy. It frequently has both a hero and a villain. It begins sedately and builds up to a climax.

Today, however, a new management philosophy is threatening to tear up the traditional script and substitute an entirely new plot.

The "new look" is based on the concept that it is up to the company to find out just what it can legitimately and fairly offer in collective bargaining, and then stick to its original proposals regardless of the consequences. This is something much more than a new negotiating technique; if it can be carried through, it promises to revolutionize collective bargaining and, perhaps, the whole position of unions in the economy.

Under the formula applied by Lemuel Boulware of the General Electric Company, the leading exponent of the "new look," the union is notified at the outset that the classical pattern will be violated. Instead of sparring for position and meeting less-than-sincere demands with equally unrealistic counterproposals, the company's first proposal is, and continues to be, its only offer. The union is told that this can be accepted or rejected, but the company will not budge from its position come mediation, government pressures, or a strike.

Adherents of the new philosophy are perfectly willing to recognize unions and to sit with them in collective bargaining negotiations. But the company is careful to make a carefully researched offer which its surveys indicate may have wide job-customer appeal. The offer is made in a proper fashion to the union in the collective bargaining session, but the company makes sure that it is not a secret from the men in the plant or the people of the community. To show its palatability, the company proceeds to put it into effect wherever it can among nonunionized or weakly unionized segments of the working force; most important of all, it makes sure that one and all know that it will not budge from its announced position, come what may.

The "new look" requires high-level thinking and a wealth of information. The essence of the technique is the taking of a position from which no force is able to budge you, and it is obvious that such a position must be carefully prepared, not simply one taken in response to some attitude of the union which the company may dislike. A company considering the use of this means of influencing people should count on an extended shutdown of its facilities and have means of a reasonably accurate evaluation of the pros and cons. Failure is disastrous; a substantial gamble is involved, and the penalty for losing is heavy—the loss of the ears and minds of the "job customers."

Because of the difficulties inherent in the successful use of this technique,

it seems unlikely that the pattern will spread to all companies or even to a significant number of companies, but this does not deny its importance. Possibly 25 or so key bargains heavily influence wage settlements throughout the economy and, if a significant number of these are settled on this basis of applying the "new look" technique, the effects will be felt throughout the nation.

The success of this new method of bargaining depends to a considerable extent upon the economic picture. When economic clouds darken, a company may not be able to offer voluntarily what its surveys indicate its job customers want. It is true that, under such conditions, its ability to take a strike might increase, but even if it won the battle it might lose the fundamental struggle for the loyalty of its men, which is the grand prize in these contests.

Another uncertainty in attempting to weigh the eventual success of this new technique is the political factor. Increasingly, the rules of collective bargaining in this country are set by government. It is not beyond the realm of possibility that a new appointment or two to the NLRB might find the "new look" outside the pale of what constitutes bargaining in good faith. In many ways, the "new look" in collective bargaining is more destructive of the union's power than the ban on the secondary boycott or the state "right-to-work" laws—the recurrent *bête noire* of the unions.

The big unanswered question, of course, is whether the worker in the shop will "buy" the new technique. Workers do not yet seem to be wholly convinced that their corporate employers are searching for their best interests and can be depended upon to correctly evaluate what is fair and equitable. The American worker is a thoroughgoing pragmatist who is less concerned with the long-run class harmonies implicit in our system than in the short-run division of the spoils. It's not going to be easy to sell him the idea that the company rather than the union is out fighting for him. The techniques for building consumer loyalty may just not be powerful enough to sell job loyalty which will survive a collective bargaining crisis.

In any event, this revolutionary technique is bound to leave some lasting effects. This hits unions where it hurts, and they may be forced to pay some attention to building loyalty of members on some basis other than their ability to haggle during collective bargaining negotiations. American industry may regain a part of the stature it has lost among workers during the last few decades and may once again be recognized as the inventive, productive enterprise which has brought economic gain. Perhaps collective bargaining decisions will tend to be made on the basis of sound economic information and in an atmosphere less resembling the Turkish bazaar. And the two most powerful interest groups in the economy, labor unions and management, might well increase their competition for the loyalty of the ordinary citizen and the fellow who works in the shop.

—From a paper by Allan Weisenfeld and Monroe Berkowitz presented before the Association of State Mediation Agencies.

Ballooning Government Growth: Where Are We Headed?

AMERICAN BUSINESS and industry are in a period of dynamic, continuing expansion—but, compared with growth of government, the private economy seems sluggish.

Explosive government growth is reflected in a comparison of retail sales with total government expenditures for 1953 and 1929. In 1953, the peak year of our economic history, the nation's total retail sales were three and a half times those in 1929. Total government expenditures in 1953 were 10 times those in 1929.

Whether you believe that all government is an evil or that all the world's evils can be cured by government, a comparison of the growth of government and business arouses concern.

To most people, "government" denotes the Federal Government. In 1932 it accounted for only 32.6 per cent of our total cost of being governed. By 1950 this proportion had grown to 60.7 per cent. State and local governments account for the rest. They are growing rapidly and continuously, too, particularly city governments. New York City's government expenditures in 1950 were almost three times as great as the Federal Government's expenditures in 1900. Pennsylvania's state government spent in 1950 more than twice as much as the Federal Government spent in 1900, and California almost twice as much. We now have 116,743 government units, ranging from the Federal Government and state governments to 17,202 townships and 12,319 special districts of various kinds. Particularly over the past quarter-century, these governments have been taking a bigger and bigger proportion of our output.

Our gross national product in 1953 was 15.5 times that of 1902, but total government expenditures were 71.4 times those of 1902.

While we had three and one-half times as many manufacturing employees in 1953 as in 1899, we had eight times as many government employees in 1953 as in 1900. As for private employment generally, it was two and a third times that of 1900.

If we take Federal Government alone and even exclude all the military, the growth is still startling. In 1900, there were fewer than two federal workers per 1,000 of our population. Today, we have about six, or more than three times as many per 1,000 of population.

Whether we look at it from the standpoint of expenditures, employment, payrolls, or any other measure, government growth far exceeds that of business or the total economy. It is also surprisingly faster than population growth. In the first half of the century our population doubled; but our government expenditures multiplied more than 71 times, and our government employment multiplied eight times.

That government should grow as population grows is obvious. There are more people to govern. That government should outgrow population at

such an astounding rate is a real cause for concern. Not only does the total cost of government grow greatly but the cost per capita increases at a rapid pace.

Government has grown far faster than our ability or willingness to pay for it out of current income. To escape some of the pain of our prodigality, we have burdened our children and grandchildren with a public debt which is still growing.

Between 1902 and 1953, our total government debt multiplied itself almost 89 times; our federal debt, 29 times; and our city debt, 8.4 times.

What about the future? Studies recently made by the National Planning Association and the Twentieth Century Fund estimate the proportion of the national product going to government in 1960 as 17.2 per cent and 19.2 per cent, respectively. The Staff of the Joint Committee on the Economic Report estimates the proportion for 1956 as 18.1 per cent. For comparison, the proportions of the national product going to government in certain years were 9 per cent in 1929; 15 per cent in 1939; and 28 per cent in 1953.

All three assume that our economy will grow so fast that the share of our total production taken by government will decrease while still allowing a liberal growth in the amount of taxes collected. This would be a reversal of a long-time trend in which government has taken not only growing amounts but growing shares as well.

Whether or not these encouraging estimates materialize will depend largely upon citizens and groups of citizens. If we go to Washington, the state house, or city hall—or send our representatives—to ask for a few new or bigger government services, subsidies, or aids, those estimates aren't going to come true.

History makes a pretty convincing case that bad government grows out of too much government. Perhaps it's really true that every country has the government it deserves.

—VERGIL D. REED. *Nation's Business*, August, 1955, p. 28:4.

What It Costs to Make—and Maintain—a Job

IT TAKES a capital investment of $12,500 to employ one worker in U.S. business, according to a recent estimate by the Machinery and Allied Products Institute. Moreover, MAPI asserts, since the durable productive facilities of industry (plant and equipment) are "wasting assets," a large annual investment—currently more than $25 billion a year, according to MAPI studies—is required merely to offset this wastage. This means that it takes an average annual investment of $450 per worker to maintain jobs already in existence.

To offset a 400,000 annual increase in the number of jobs (a "conservative estimate"), an additional $5 billion in capital investment is required. Further, an advancing economy characterized by productivity gains requires a continuous increase in investment per worker. MAPI estimates this annual improvement requirement at $10 billion. Therefore, it argues, if business as a whole is to absorb the annual growth in the private labor force, offset the current consumption of its fixed

assets, and provide for a normal growth in investment per worker, it must find each year $35-$40 billion in long-term capital. This must be the net realization from depreciation allowances, retained earnings, new equity flotations, and long-term borrowing.

According to MAPI estimates, at 1955 prices the per-worker capital investment by type of investment is as follows: plant and equipment (after depreciation), $4,900; land and financial resources, $2,400; and current assets, $5,200.

The New Tax Plan—Five-Year Pinch on Business

BEGINNING THIS FALL, the 20,000 biggest U.S. corporations, supplying 85 per cent of the government's revenue from corporate income taxes, face a progressive pinch on their resources equivalent to a 10 per cent increase in taxes every year for the next five years, tax expert Roy S. Good points out in a recent issue of *The Journal of Taxation.*

The new speed-up in tax payments enacted in 1954 was designed primarily to eliminate fiscal problems and to save the government interest on money borrowed in anticipation of tax receipts.

"Under the old Mills plan, the corporate taxpayer did not make actual tax payments in any one year in excess of 100 per cent," Mr. Good comments. "Assuming that corporate profits and tax rates remain level, acceleration of corporate tax payments under the 1954 Code will mean actual payments of approximately 110 per cent in each of the five taxable years with no corresponding reduction in payments in subsequent years."

As the amount of estimated tax payable within the taxable year increases, both the financial burden with its drain on the cash position and the "compliance" burden, necessitating reasonably accurate income forecasting to keep the financial burden to a minimum, will become important, Mr. Good predicts.

How Real Earnings Have Risen

IF PRICES ARE UP, wages have more than kept pace—so the average wage earner doesn't have to work as long as he did eight years ago for a wide variety of products, reports *Sales Management* magazine. Here are some sample "prices" (in terms of earning time) to prove the point:

Product	*1947 Earning Time*	*1954 Earning Time*
Toilet soap	4 minutes, 37 seconds	2 minutes, 41 seconds
Corn flakes	8 minutes, 1 second	7 minutes, 21 seconds
Denim overalls	3 hours, 12 minutes	2 hours, 14 minutes
Electric refrigerator	5 weeks, 6 hours	4 weeks, 5 hours
Four-door sedan	27 weeks, 28 hours	26 weeks, 5½ hours
Business shirt	2 hours, 38 minutes	2 hours, 13 minutes

WE CANNOT do everything at once, but we can do something at once.

—CALVIN COOLIDGE

For the Specialist . . .

Flood Insurance: Underwriters Keep Their Feet Dry

As EIGHT ATLANTIC states staggered out from the most costly floods in U.S. history, underwriters reported that insurance will cover only 5 to 10 per cent of losses totaling $1.6 billion.

Many policyholders who assumed that they were at least partly protected were in for a disappointment. For example, some businessmen whose plants were wrecked or halted by the flood, hoped to be reimbursed for loss of income under business interruption policies. But most of these policies specifically exclude interruptions caused by flood.

(Other uninsurable hazards, in addition to flood, tide and high water, are snow, ice, frost and cold weather. Besides fire, the major insurable disasters are earthquakes, lightning, wind, hailstorms, and radioactive contamination.)

Why is flood insurance so hard to get? Insurance companies fear that in major floods they could not begin to meet the claims for damage to real property—*e.g.*, buildings and machinery—which are most susceptible to water damage. Insurers believe that they can economically cover only property which can be moved out of the flood's path.

The principal economic argument against flood insurance is the nature of the risk. The most destructive and widespread calamities in the U.S., floods tend to haunt the same areas—*e.g.*, the Missouri and the Mississippi river basins, which had floods costing more than $1.5 billion from 1936 through 1951. As one insurance executive said: "Potentially, every insurance company could be bankrupted by one casualty."

If flood insurance were available, only the worst risks—those who are most exposed to floods would buy it. Since the market would thus in all probability be limited to less than 10 per cent of all property owners, the premiums would be prohibitively high. On the other hand, if floods were included like hailstorms as a standard risk in all extended-coverage policies, and the cost were spread among all property-owners, premiums would be many times the cost of present insurance.

Even if flood insurance were feasible, argue insurance men, the company that offered it as a standard risk (necessarily at a higher premium) would lose business to competitors who preferred to keep their feet dry.

Currently, many Northeastern businessmen and politicians are talking about government-backed insurance as the only solution.

Congress has already studied one such proposal. After the Missouri

River floods of 1951, President Harry Truman blueprinted a federal insurance corporation authorized to underwrite as much as $1.5 billion in disaster policies. To avoid competition with private companies, the federal agency would have issued policies (covering up to 90 per cent loss) only to individuals and companies unable to get disaster coverage from commercial sources. It would also have reinsured any private companies handling such risks. Congress shelved the plan after insurance companies advised against either public or private flood insurance, pointing out that it would, in effect, be handing out subsidies under the guise of insurance.

In the face of renewed pressure for federal flood insurance, A. L. Kirkpatrick, the U.S. Chamber of Commerce's insurance director, commented recently that the Government agency would be like a life insurance company selling policies exclusively to 85-year-olds. A meager $1,000 policy, to be economically sound, would cost a prohibitive $325 a year. Most insurance men hold that the best flood insurance is flood control.

—*Time*, September 5, 1955, p. 70:1.

All Letters Are Sales Letters

If a "sales letter" is defined as one which seeks to inform, convince, or persuade, then business reports, memos, requests, instructions all qualify. Even the "Open Letter to Citizens" which the chairman of the board uses to tell his side of a strike or anti-trust suit is, or should be, a "sales letter."

If you can write a good sales letter, therefore, all your correspondence is more effective. You do a better job of informing, convincing, or persuading.

The fundamentals that make sales letters successful are temporary theories, not eternal truths. And they never stop changing—because people never stop changing. But here are eight "fundamentals" of successful letter-writing today.

1. *Before you write, put yourself in the other fellow's shoes.* Dale Carnegie says, "The only way under heaven to get a man to do a thing is to make him want to do it." This side of guns or blackjacks, he's right. As you write letters, then, visualize the reader. Write not only to him, but for him. When you do this, the tone and content of your letters change as you change addresses. Most of us make this adjustment automatically when we write to friends. But when we write business letters to strangers they all sound alike.

2. *Be friendly.* There isn't the slightest difference in tone between a good business letter and a good personal letter. Jack Lacy, ace trainer of salesmen, says, "People buy for one of only two reasons: (1) They think what you're selling is worth more to them than what they give you for it; or (2) they like you." That's true whether you're selling things or ideas. Whether people like you or not has a great deal to do with how you get along in business. People who spend

most of their waking hours at work want to work with friendly people—people they like.

3. *Aim for the bull's-eye.* Every letter you write should be a working one, with a single aim: To take the reader from where he is to where you want him to be. So before you start to write, be sure you know exactly what you want the reader to know or do after he's read your letter. Make the best guess you can about his position on the matter now. Then, in your letter, cover the points between. Finally, push him to action. Tell him what you want him to do, and how to do it. I know one direct-mail writer who begins each letter by writing the reply card—even if he isn't going to include one. Then he writes the whole letter with that card in mind. You can do that with any letter. Start by writing the answer you want to receive. Then plan the whole letter with that answer in mind.

4. *Keep your letters clear and easy to read.* According to Sherman Perry of Armco, "Anything that can be misunderstood *will* be misunderstood." Many people can't write letters that "read easy." Often that's because they don't think the letter through. Sometimes they write sentences with more than one possible meaning. They send one idea; the reader receives a different one. But the most common error is the simplest. It's the language used.

Successful people use long, complicated words to think with. But they do not use them to inform with; to persuade with; to convince with; to write letters with. Clifton Fadiman says, "Whenever people are short on ideas, they tend to use big words." So don't be fancy when you write. Fancy writing satisfies the writer, but plain talk gets results.

5. *Make them interesting. Keep them moving.* Fortunately, most clear, friendly, letters are interesting just as written. If they aren't, you can increase interest by re-writing, if necessary. Personal references—to yourself, the reader, or any other person—make easy, interesting reading. If conversation fits into your letter, use it, by all means. Letters that include conversation are automatically interesting.

6. *Be believable.* All is lost unless your reader believes what you say. Touch the common chord. People tend to believe arguments cast in a familiar frame of reference. Be specific. Use figures, proper nouns, precise examples. Obvious sincerity makes letters believable. It will shine through even if you aren't a polished writer.

7. *Be yourself.* Unless your own personality shows through your letters they won't be the best you can write. In many cases, your letters *are* you. In business you write letters to people you've never seen. They build a mental image from your letters. It is the only "you" they'll ever know.

8. *Write early and often—carefully.* Study the problem before you begin; analyze your mistakes later. Keep copies of your letters. Review them after a few months. You won't learn from your mistakes unless you study them. Any kind of good writing takes practice, lots of it. You may have a flair for writing, a "head" for business, and a "way" with people—and still be millions of words away from being a crackerjack business letter-writer.

—From an address by JOHN YECK before the University of Illinois Management Course.

How to Mix Pleasure with Business

LAVISH ENTERTAINMENT of present or prospective customers may be fun, but it is seldom the real key to a sale, in the opinion of a Columbus, Ohio, advertising consultant. Writing in a recent issue of the magazine *Advertising Agency*, Herbert Byer lists some sensible do's and don'ts of business hospitality:

If you're a frequent visitor:

1. It may be all right for you alone to expect a measure of hospitality but, except on rare occasions, don't arbitrarily ring in the rest of your family.
2. If your visits are spaced fairly closely, don't expect the royal rug to be dragged out for you every time.
3. Don't evince elegant tastes just because someone else is footing the bill.
4. Don't see how late you can stay up. Your host may have an early appointment at the office.
5. If your wife isn't with you, don't become adventuresome. Your host may not relish abetting it.
6. Don't take everything for granted. For variety's sake, if not for your own self-respect, reach for a few tabs yourself now and then.
7. Don't delude yourself that you're getting everything for free. Entertainment is one of your host's cost items of doing business. If it gets out of hand, it will be reflected in the price of the product or service you're buying.

When you're the host:

1. Be gracious. Enjoy yourself; don't make it appear that you're putting yourself out because you're forced into it.
2. Don't assume everyone likes only drinking and nightclubbing. Try suggesting a concert, a first-run movie, or an evening of television.
3. Should you invite business friends to your home, don't put on the dog.
4. Don't try to impress by being a big spender. Your guest might think you run your business in the same loose fashion.
5. Don't stretch hospitality to the silly point—like paying a client's hotel bill.
6. When a frequent guest does offer to pay now and then, let him do it. Not everybody wants something for nothing.

Industry's Indispensable Man

IN A RECENT ISSUE of *Best's Insurance News* appears the following quotation "from a British magazine of business":

> He works alone among outsiders, yet belongs to a team.
> He produces nothing, yet he greatly increases production.
> He employs no one, yet he prevents unemployment.
> He is not supervised, yet he is responsible for results.
> He influences people over whom he has no authority.
> He does much to raise the standard of living.
> He is a maker of better balance sheets.
> He is the man who sends in orders. He is: *the salesman.*

How Companies Handle Stenographic Pools: A Survey

How widely accepted—and how successful—are stenographic pools?

A recent survey conducted among 79 companies by Dartnell Corporation recently throws some interesting light on both these questions.

Of the companies covered, 27 had pools and 52 did not. Of the 52 companies presently without pools, nine are considering pools and 12 had fewer than 10 persons giving dictation. Ten is about the lowest number of dictators required to make a pool an economical operation, although one company listed only 5 dictators.

Though the 27 companies with pools are currently happy with a secretarial pool setup, resistance was reported from both dictators and girls, primarily because of fear of loss of prestige. Resistance to the pool was combatted in various ways ranging from "time and education" to the more direct "The president of our company was strong for the change."

The chief reasons behind the decision to have a pool are efficiency, economy, and flexibility. Only two companies rated their pools as less than successful (because of a shortage of trained help).

A number of companies, too, use a pool as an initial job to train all new girls. Minimum time in the pool varies from five days to two years, but, almost without exception, the girls are available for promotion, usually to stenographer or secretary.

The rate of turnover in the pool was usually classed as "low"—although, of course, companies that use the pool as a first stepping-stone pay higher rates as the girls are promoted. The most common reason given for terminations is pregnancy.

In most cases the pool hasn't replaced the private secretary. Top executives still rate "a girl of their own." Still, there is a trend toward the use of machines. One office manager observed, for example: "Only department heads are assigned secretaries, but they are encouraged to use dictating machines, and many of them do."

Gerald English, personnel administrator of the National Tuberculosis Association, explains its pool setup (67 people in the organization give dictation, of whom 25 are supervisors or executives, 42 are correspondents):

> We have moved from a sketchy pool setup (staffed with new girls, beginners) to a combination of a strong central pool plus departmental pools. In the larger departments, work is organized on a project basis; this means that girls (1) serve several correspondents; (2) have definite projects as their own responsibilty; (3) rotate through all the departmental work. This method replaces the former assignment of one girl to a correspondent (or two). The method is supported by a strong, flexible pool plus the use of dictating equipment. Each stenographer does both manual and machine transcription (to maintain manual skills). The method allows the firm to reclassify jobs to a higher grade and use fewer workers with better results and more satisfaction to the girls.
>
> The only criterion for deciding who is to get a secretary, stenographer, or who

is to use a machine is the nature of the work to be done.

Eighteen companies agreed that a pool helped "overcome the shortage of competent stenographers." Four disagreed. One thought it "questionable"; to three companies it was not a factor. Fifteen organizations found that a pool cut down the number of secretaries needed.

Most pools are supervised by an assigned pool supervisor, though occasionally the office manager takes charge directly. Work is scheduled on a first-come-first-served basis, with exceptions made for special rush jobs. Proofreaders or spot checkers are sometimes used to check the work, though usually the girls check their own. The supervisors, of course, keep an eye on quality and quantity, though a specific rate of error is rarely known. The quality and quantity of work put out is generally considered "satisfactory."

Dictionaries are usually available in the pool, and 13 of the 27 companies provide each girl with one. Eight provide a company manual or style book.

Payment on an incentive basis is not customary among the companies surveyed. Out of 26 companies answering this question, only two have an incentive pay system; the others base raises on a regular merit-rating plan. Starting salaries range from \$130 a month to \$260, and top salaries vary from \$200 to \$350.

—*Personnel Administration Service* (The Dartnell Corporation, 4660 Ravenswood Avenue, Chicago 11, Ill.).

"Where Has This Whole Day Gone?"

Do your days run like clockwork, with every job finished as planned? Do you leave the office each evening with a deep sense of accomplishment?

Or do you start for home weighed down with a bulging briefcase and the feeling that you've accomplished hardly anything, that the whole day was nothing but one interruption after another? If that's the case, it may pay you to stop for a careful look at what really is happening to your time.

Actually, interruptions shouldn't worry you. They go with the job. The only thing to grow concerned over is the *kind* of interruptions that crop up. This calls for a little checking. Why not keep track of every interruption that occurs each day? Try it for a week. Then see if you can classify your interruptions in a few major categories.

A pattern is sure to emerge. The interruptions will tend to concentrate in a few groupings. Here are some categories that you may find:

1. Someone is passing the buck to you.

2. Someone is by-passing channels.

3. Company policies aren't clear. You have to decide things on a day-to-day basis.

4. "Visiting firemen" keep coming

around—some from inside, others from outside.

5. "Emergencies" keep popping up.

On the other hand, perhaps some of the following causes of interruption—which are necessary interruptions for an executive—don't turn up for you at all:

1. Wandering around the office or plant, to "get the feel of things."

2. Chatting with employees at all levels, just to get to know them better.

3. Slipping away for visits to the branch offices or plants.

4. Playing the role of "visiting fireman" yourself.

5. Snatching occasional periods of quiet meditation, when you try to dredge up some fresh ideas.

As between the two kinds of interruptions, there ought to be a lot more of the second type—not necessarily those particular ones alone, but of that which might be called those involving executive development.

Once you have satisfied yourself that you know the sort of interruptions that are yours, then you can begin doing something about the wrong ones.

Go after the buck-passers and by-passers with hammer and tongs. Buck-passing and by-passing tactics can and should be stopped, the quicker the better.

Policies present a different problem. If action is required at a higher management level, it may take time. Policies at your own level should certainly be reduced to writing at once, if they haven't been already. Management by ear isn't often very effective!

No matter what you do about visiting firemen, someone is going to take offense. The best, most practical thing to do is to draw a line and stick to it. You will see certain visitors; the others will have to see somebody else.

Finally, those emergencies. How many are genuine? You'll never be completely free from emergencies—life would get awfully dull if you were—but a lot of them can be cut out by making people do their jobs right.

Taking home actual work, not on rare occasions but regularly, is something else again. It means (1) the staff is falling down, (2) there isn't enough staff, or (3) you aren't delegating enough of the routine chores. In any event, in addition to being an executive, you are also being a part-time clerk, statistician, analyst, accountant, engineer, or what have you. After a full day's work as an executive, this part-time work is probably not too efficiently done.

—ALBERT PLEYDELL. *Office Executive*, January, 1955.

USEFUL CITIZENS: New Jersey's Rider College has started to train blind people to operate a Braille-type switchboard designed by Bell Telephone. The instructor, Miss Frances Schoch, has run a Braille-type switchboard for the past seven years for the Wall Rope Works in Beverly, N. J., handling a minimum of 300 calls a day, keeping records of long distance calls, and taking messages.

—*Supervisor's Personnel Newsletter* (Bureau of Business Practice, New London, Conn.)

The Employee Thrift Plan: New Fashion in Fringes

EMPLOYEE compensation patterns in recent years have reflected a rapid growth in non-wage benefits—among them pension plans, life insurance, accident and sickness and medical expense insurance, disability and severance pay, and workmen's and unemployment compensation. Currently, an increasing number of employers are introducing a type of plan which is not specifically designed to meet any particular one of the basic social needs of employees but rather serves as a supplementary means of meeting special financial needs.

The last 10 years have witnessed a renewal of interest in employee thrift plans of various types, which resemble the earlier stock purchase plans in that nearly all permit at least some investment in company stock. There are, however, significant differences from the plans of the 1920's. These include (1) reference to the plan as "thrift" or "savings" rather than "stock purchase," (2) stress on regular rather than intermittent deposits and investment, (3) substantial employer contributions, and (4) a choice by the employee of the investment medium, so that the employer is not "selling" his stock to his workers.

Since a basic function of this type of plan is to encourage employee thrift, a common characteristic is employee contributions. In most cases they are not a fixed dollar amount or percentage of pay, but rather a range within which the plan member may pick his own rate; for example, 2 per cent, 3 per cent, 4 per cent, or 5 per cent of earnings. Experience has in general been encouraging in that a substantial proportion of employees elect the maximum amount allowed.

There are two basic methods of determining the amount the company contributes—either of which, or a combination, may be used. It is most common for the employer to pay in a specified amount for each dollar an employee pays. This amount varies widely from plan to plan—from as little as 10 per cent of employee contributions up to 100 per cent or more, and can depend on other factors such as length of service.

A few plans provide instead a stipulated portion of company profits —usually with a maximum limit, such as two or three times employee deposits. Other plans employ a minimum guarantee per employee dollar and supplement it with an extra payment contingent on profits. Under either method it is customary to allocate company payments in relation to employee contributions, thus creating an incentive for maximum participation.

Most plans give employees a choice of investment media. Among these, in addition to company stock, are U.S. government bonds, shares in investment trusts, and diversified security

funds in which employees may participate on a unit value basis.

While nearly all plans provide for full settlement at death or retirement, and most upon disability, payments upon termination service differ widely. They may consist only of the values the employee's money has created, or there may be vesting of a portion or all the values arising from the employer's contributions. Some plans allow employees to withdraw all or a part of their accounts from time to time, usually with some penalty, such as a period of ineligibility to discourage withdrawals.

Most thrift plans provide that distributions are normally made in cash or securities. As the plans mature and the amounts available become larger, there will no doubt be an increasing use of instalment and annuity settlements, thus enabling the plans more effectively to supplement the other parts of a broad benefit program.

A satisfactory employee benefit program should be specifically designed to provide first for minimum requirements in the basic need areas —death, retirement, and disability. Then is the ideal time to consider adoption of an employee thrift plan. For this desirable adjunct to a program should not be counted on to fulfill any of the minimum requirements by itself. Rather, it should serve as a flexible reserve to supply cash or income as needed to meet an emergency or supplement a basic benefit. So, in addition to enhancing good employee habits and attitudes, a thrift plan may even cut the ultimate cost of an over-all program by reducing special or additional payments upon severance, layoff, resettlement, etc.

—*The TPF&C Letter* (Towers, Perrin, Forster & Crosby, Inc.), July, 1955.

Thrift Plan with a Built-in Stock Incentive

TO ENCOURAGE EMPLOYEES to save regularly and enable them at the same time to become company stockholders at no cost to themselves, E. I. du Pont de Nemours & Co. recently instituted a new thrift plan embodying a special incentive feature: Du Pont will contribute to a trust fund one-fourth as much as each employee puts into U. S. savings bonds under the plan. This contribution will be used to buy Du Pont common stock for him.

More than 73 per cent of eligible Du Pont employees (those with two or more years of service) have already signed up to join the plan. Participants specify the amount they wish to save every month by payroll deduction. The minimum is $12.50 a month, the maximum $37.50.

Every month the company will pay over to a trustee one-fourth as much as the amount deducted for each employee. This money will be used by the trustee to buy stock monthly on the open market for the plan. Cash dividends on these shares will be applied to the purchase of more stock. When an individual becomes entitled to a whole share, it will be put in his name and, after the required holding period, it will be turned over to him. Cash dividends on shares in his name will be paid directly to him.

Since the purpose of the plan is to encourage sustained saving, the

employee's bonds will be held for four years after he joins the plan. Those bought during the first year are then delivered to him and annually thereafter one year's purchases of bonds are delivered. Likewise, the stock is held for four years after the employee joins the plan. Thereafter, shares are delivered to him after they have been registered in his name for two years.

What Industry Pays Its Engineers—A Survey

SALARIES paid professional engineers by private industry increased substantially between 1952 and 1954, with the highest increases in the low brackets. The earnings of men in the lowest income tenth increased 9 per cent, from $5,280 to $5,760; those of the highest tenth went up only 2 per cent, from $17,450 to $17,930. The median salary for engineers in industry during 1954 was $8,940, a 6 per cent increase over 1952.

These are among the findings reported by the National Society of Professional Engineers in its current *Income and Salary Survey.* Over 14,000 of the Society's 34,000 members contributed data for the study.

Industry was both the largest and the highest paying employer; its 37 per cent share of the total supply of engineers has increased slightly since 1952. But engineers in business for themselves, whether in private practice or construction contracting, earned considerably more. Their median income was $13,460, compared with $7,920 for the salaried group as a whole. Highest paid and most rapidly advancing were the small segment of chemical engineers (median income $9,730, increase since 1952, 9 per cent); lowest paid were the civil engineers, with a median of $7,880.

By far the largest group of engineers, 37 per cent, were engaged in executive and administrative duties. Another 25 per cent were primarily designers.

Everybody Wins This Safety Contest

PRIZES FOR EVERYONE are featured in a new safety contest at Johnson & Johnson (New Brunswick, N. J.). The contest, which aims at completely accident-free operation, will continue indefinitely, since any group that has an accident goes back to the beginning and starts over again.

The first award—after approximately a year's perfect record (time depends on number of man-hours worked)—is a certificate that qualifies the winning group to compete for the manufacturing division award. This includes a gift for everyone in the group, plus a team trophy. Those who qualify for the manufacturing division award then go on to try for the president's award—the president's medallion and a valuable gift for everyone in the winning group. It is estimated it will take about three years for most groups to win the president's award, and when they have won it, they may start accumulating accident-free time again—toward more prizes.

—*Industrial Relations News* (230 West 41 Street, New York 36, N. Y.), Vol. IV, No. 38.

Has poetry any place in the workaday world? May not the business executive—the "practical man"—be denying a vital part of himself if he never turns aside from the realities of management to seek a different kind of imaginative release? Balancing the practical and the aesthetic components of human experience, a distinguished American poet explains his belief that every man must find a way to combine the two if he is to live his life to the fullest.

Poetry and the Practical Man

JOHN CIARDI

I KNOW of no sane poet today who persuades himself that the action of his art and imagination has any significant consequence in the practical reality of Dow-Jones averages, election returns, and the state of the nation. Wherever the practical world may be, W. H. Auden has defined the position of poetry in our time:

> For poetry makes nothing happen; it survives
> In the valley of its saying, where executives
> Would never want to tamper; it flows south
> From ranches of isolation and the busy griefs,
> Raw towns that we believe and die in; it survives,
> A way of happening, a mouth.

It may well be that the poets and the practical men would be mutually happier in leaving one another strictly alone, the poets on their ranches of isolation practicing a way of happening, and the practical men in their cities of numbered and lettered glass doors busily pushing the buttons of the world.

For the gap that divides the poet from the practical men is real. Nor will it be measurably closed by pointing out that some men have functioned with distinction in both the poetical and the practical imagination. There was a director of public works named Chaucer, there was a bricklayer named Ben Jonson, there was a good soldier named Richard Lovelace—one could compile endlessly. But all that such a list would prove is that some men are ambidextrous: it would not eliminate the distinction between the right hand and the left.

Poetry, to be sure, often deals with practical activities such as plowing a field, running a chemical experiment, or analyzing the character of a job-applicant; but it does so in non-practical ways. The poet may create a powerfully penetrating picture of the character of the man the business executive is interviewing for a job. But when the poet has finished his analysis, he has no need to make a payroll decision and to assign the man

Mr. Ciardi is Associate Professor of English at Rutgers University, New Brunswick, N.J. This article is based on a speech delivered before the College English Association.

to a specific job in a specific department.

Poetry and practicality are in fact two different worlds with two different orders of experience and of imagination. The poet enters his world as an *as if*: he writes *as if* he were analyzing a real man seated before him. He is free with a stroke of the pen to change the lineaments of the world he has imagined.

The practical man has no such large freedom. He enters a world called *is*. When he is at work, he *is* plowing a field, he *is* assembling chemical apparatus, he *is* interviewing an actual man whose name appears on the census listings and who *is* offering his services in return for real and taxable wages.

It is only natural, moreover, that men who give their attention to either of these two worlds should not be especially well disposed to the other. Poets tend to think very little of stockbrokers, and stockbrokers tend to think even less—if at all—of poets. And the fact is that some of the best poetry of our times has been written on what may be called an inverted sense of reality, an order of imagination that asserts openly or by implication that what the practical men do is meaningless and that only the *as if* of the vicarious imagination has a place in the final mind of man. So the late Wallace Stevens, in a poem significantly titled "Holiday in Reality," lists a series of things seen and says of them: "These are real only if I make them so," and concludes:

> Intangible arrows quiver and stick in the skin
> And I taste at the root of the tongue the unreal
> Of what is real.

It may be very much to the point that Wallace Stevens was a vice president of the Hartford Accident and Indemnity Company and a specialist in claims on surety bonds. Obviously, however, Wallace Stevens could not look into his surety bond claims and send in a report that "These are real only if I make them so." That difference between the world of practical solutions and the world of the vicarious imagination must not be blinked away.

What must be borne in mind, rather, is the fact that no sane human being is exclusively a practical man. The plant manager may be the most mechanically efficient of calculators during his waking hours; and still his dreams or his nightmares will be human and impractical. What is his order of reality and of business efficiency when he first holds his newborn child? Or when, as some men must in time, he stands by his child's grave? What is his order of reality when he steps out of a late conference and finds a hurricane shaking the earth? Or his wife is ill and the telephone rings: In one ear he hears his assistant howling that the subcontractor sent the wrong parts and that a rush order is delayed, while with the other he hears the doctor close the bedroom door and start down the stairs to tell him his wife will or will not recover. Which of these realities is more real than the other to live to?

The poem does not care and cannot care what happens to that rush order. The poem is of the humanity of the man. Indeed, there is no poetry for the practical man; there is poetry only for the mankind of the man who spends a certain amount of his life

turning the mechanical wheel. Despite the present tendency to admire only those men who "do things" and to scorn "dreamers," the fact is that no man can be wholly practical or wholly impractical. The humanity of any man's life requires some, at least, of both orders of the imagination.

Coaching Tomorrow's Management

THERE is a gentle art to getting tomorrow's management ready to assume the obligations which you and I have been shouldering. And in the exercise of this art there is a by-product—a better job being done today on the part of those who follow us.

Most people want and welcome judicious and sincere coaching because most people want to improve. Furthermore, most of us want the organizational units we direct to turn in better performance records, because we understand that our own personal progress is inextricably bound to those accomplishments. Even more important—whether we realize it or not—our people are being coached, in the broad sense, 40 hours a week by us and our associates. So we may as well be smart and make certain that our people are being coached intelligently and consistently in line with their abilities and our requirements.

What is required of us as coaches?

First, too much mumbo-jumbo has been built up about this phase of a management job. The reams of material which have appeared in recent years would seem to make it necessary that a good coach be a combination of psychologist, psychiatrist, organization planner, accumulator of personnel records, and "do-gooder."

Nothing is further from the truth. Basically, the coach needs to be equipped with only four essentials:

1. A sincere and unselfish interest in helping his subordinates to improve.

2. A thorough and forward-looking knowledge of the requirements of the job his subordinate holds—the job toward which the subordinate may expect to move.

3. A complete understanding of the individual with whom he is working, not in a clinical sense, but rather in a personal sense. What kind of suggestions does the individual accept readily? What are the areas in which he does not readily accept criticism? Are his sights set realistically on a position he can expect to attain? How well and in what way does he react to the coach personally?

4. An awareness of the extent to which his positive and progressive work with his organization will be approved and applauded by his own superiors, and a fairly tangible idea of the form which his organization will assume in the future.

There are several logical and necessary rules for a good coach to follow:

He operates from the sidelines. He can't coach and play at the same time. He can't see errors and correct them while he himself is a part of the operating team.

He recognizes individual differences. Some men make good quarterbacks but horribly inept tackles. The coach doesn't attempt to make all members of the team act alike or act like him.

He knows that the school of hard knocks is fundamentally a good one—that men learn best by doing and then by living with the results.

He is ineffective unless respected. His team must believe in his ability and understand that his ability has produced good results for him and the organization.

He doesn't look for miracles but is satisfied with average progress, with success on one phase at a time, with gradual but permanent progress.

For that reason, he gears his work to the average man. This is to say that the coach is not flamboyant, flashy, or overly dramatic and demonstrative.

He has certain standards of performance which he can clearly define. It is helpful but not essential that he be able to show that he could meet or surpass those very standards—at least that he did so in the past on the way up the line.

—From an address by EUGENE L. BURKHART (Director of Personnel Administration, The Electric Storage Battery Co.) before the Scranton-Wilkes-Barre Chapter of the National Office Management Association.

The Over-65 Market—Some Facts on Income

THE 14 MILLION Americans 65 and over had a money income of approximately $20 billion last year. This sum does not include home ownership and other income in kind, lump-sum insurance payments, and other receipts not defined as money income in a recent study made by the U.S. Department of Health, Education, and Welfare. The money income alone was the equivalent of about 7 cents of every dollar of total personal income in the United States last year. This proportion is comparable to the 8.5 per cent represented by the 65-and-older group in the population when tax advantages are considered.

Two-thirds of the money income of the elderly population, estimated at some $13 billion, came from earnings from employment combined with the return received from long-term savings and personal protection programs. Earnings from employment alone added up to an estimated $9 billion for 1954, and represented by far the biggest single source of income for the elderly part of the population, as it has right along.

The balance of the money income of the 65-and-over group last year, amounting in all to nearly $6.5 billion, came from a combination of government-sponsored or supported programs. Close to $5 billion came from Social Security and related programs. Public assistance made up the rest.

Income in kind came to more than $2 billion in all in 1954, it is estimated, and is represented by home ownership, rent-free living quarters provided to many elderly persons by relatives and others, and the value of food raised for home consumption by the several million persons 65 and older who live outside urban areas.

—Insurance Advocate 8/6/55

Ten Commandments of C

As a manager, your prime responsibility is to get things done through people.
effective only as they are transmitted to others and achieve the desired action—o
On the job you communicate not only with words but through your apparent atti
that results in an exchange of meaning. How well you manage depends upon ho
designed to help you improve your skills as a manager by improving your skills

I. ***Seek to clarify your ideas before communicating.***

The more systematically we analyze the problem or idea to be communicated, the clearer it becomes. This is the first step toward effective communication. Many communications fail because of inadequate planning. Good planning must consider the goals and attitudes of those who will receive the communication and those who will be affected by it.

II. ***Examine the true purpose of each communication.***

Before you communicate, ask yourself what you *really* want to accomplish with your message—obtain information, initiate action, change another person's attitude? Identify your most important goal and then adapt your language, tone, and total approach to serve that specific objective. Don't try to accomplish too much with each communication. The sharper the focus of your message the greater its chances of success.

III. ***Consider the total physical and human setting whenever you communicate.***

Meaning and intent are conveyed by more than words alone. Many other factors influence the over-all impact of a communication, and the manager must be sensitive to the total setting in which he communicates. Consider, for example, your sense of *timing*—i.e., the circumstances under which you make an announcement or render a decision; the *physical setting*—whether you communicate in private, for example, or otherwise; the *social climate* that pervades work relationships within the company or a department and sets the tone of its communications; *custom and past practice*—the degree to which your communication conforms to, or departs from, the expectations of your audience. Be constantly aware of the total setting in which you communicate. Like all living things, communication must be capable of adapting to its environment.

IV. ***Consult with others, where appropriate, in planning communications.***

Frequently it is desirable or necessary to seek the participation of others in planning a communication or developing the facts on which to base it. Such consultation often helps to lend additional insight and objectivity to your message. Moreover, those who have helped you plan your communication will give it their active support.

V. ***Be mindful, while you communicate, of the overtones as well as the basic content of your message.***

Your tone of voice, your expression, your apparent receptiveness to the responses of others—all have tremendous impact on those you wish to reach. Frequently overlooked, these subtleties of communication often affect a listener's reaction to a message even more than its basic content. Similarly, your choice of language—particularly your awareness of the fine shades of meaning and emotion in the words you use—predetermines in large part the reactions of your listeners.

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NOTE: Attractive broadside reproductions of this decalogue, suitable for framing or insert
Publications Sales Department M. O., American Manageme

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# of Good Communication

h people. However sound your ideas or well-reasoned your decisions, they become action—or reaction. Communication, therefore, is your most vital management tool. arent attitudes and your actions. For communication encompasses all human behavior upon how well you communicate in this broad sense. These ten commandments are ur skills of communication—with superiors, subordinates, and associates.

VI. *Take the opportunity, when it arises, to convey something of help or value to the receiver.*

Consideration of the other person's interests and needs—the habit of trying to look at things from his point of view—will frequently point up opportunities to convey something of immediate benefit or long-range value to him. People on the job are most responsive to the manager whose messages take their own interests into account.

VII. *Follow up your communication.*

Our best efforts at communication may be wasted, and we may never know whether we have succeeded in expressing our true meaning and intent, if we do not follow up to see how well we have put our message across. This you can do by asking questions, by encouraging the receiver to express his reactions, by follow-up contacts, by subsequent review of performance. Make certain that every important communication has a "feedback" so that complete understanding and appropriate action result.

VIII. *Communicate for tomorrow as well as today.*

While communications may be aimed primarily at meeting the demands of an immediate situation, they must be planned with the past in mind if they are to maintain consistency in the receiver's view; but, most important of all, they must be consistent with long-range interests and goals. For example, it is not easy to communicate frankly on such matters as poor performance or the shortcomings of a loyal subordinate—but postponing disagreeable communications makes them more difficult in the long run and is actually unfair to your subordinates and your company.

IX. *Be sure your actions support your communications.*

In the final analysis, the most persuasive kind of communication is not what you *say* but what you *do*. When a man's actions or attitudes contradict his words, we tend to discount what he has said. For every manager this means that good supervisory practices —such as clear assignment of responsibility and authority, fair rewards for effort, and sound policy enforcement—serve to communicate more than all the gifts of oratory.

X. *Last, but by no means least: Seek not only to be understood but to understand—be a good listener.*

When we start talking we often cease to listen—in that larger sense of being attuned to the other person's unspoken reactions and attitudes. Even more serious is the fact that we are all guilty, at times, of inattentiveness when others are attempting to communicate to us. Listening is one of the most important, most difficult—and most neglected—skills in communication. It demands that we concentrate not only on the explicit meanings another person is expressing, but on the implicit meanings, unspoken words, and undertones that may be far more significant. Thus we must learn to listen with the inner ear if we are to know the inner man.

—Prepared by the staff of the Executive Communication Course, American Management Association.

Union Contract Administration: A Two-Way Street

WHEN A LABOR agreement has been signed, collective bargaining is neither suspended nor ended. Not only are there still significant areas in which bargaining can take place; the negotiation of an agreement does not remove the basic sources of friction between management and union.

The attitude of the two parties toward their relationship will determine in large measure how the labor agreement is administered. If the attitudes are hostile, the agreement will be regarded as a sort of treaty of peace, and it will be administered with one eye on the conflict to come. On the other hand, if the attitude is one of the business world, the agreement will be thought of as an agreement of purchase and sale, and the administration will tend to follow the pattern prescribed for business transactions between two enterprises.

Since management has the greatest degree of control over the affairs of the enterprise, it can exert the greatest influence over management-union relations and over the administration of the labor agreement. If it adopts a hostile attitude toward the union, it will be met with a hostile reaction. On the other hand, if it accepts the union as an established form of business organization and deals with it on that basis, the chances are that the union will respond in kind.

It is not at all unusual to hear company officials talk about how "they" administer "their" agreement. The fact is that it is the union's agreement, too, and the union should share in its administration. This requires that union members be designated to perform certain tasks, such as presenting grievances and requests, and management should acquiesce to such of these arrangements as are reasonable. If it does not arrange for union participation it has little reason to be critical of any irresponsibility which the union shows toward its obligations under the agreement.

To begin with, it is vitally important that all ranks of management be fully informed of the company's approach to relations with the union, the provisions of the contract, and their current application. Frequently, union officials who say they get along fine with the "big boss," complain bitterly about the abruptness, the lack of understanding, and even the downright hostility they encounter from the lower ranks.

Another responsibility arises out of the fact that the management and the union discuss many matters during the life of an agreement. Many times these discussions require consideration of factual information. It is important that management check and recheck the accuracy of the facts involved, whether these facts are presented by management or by the union. It is also important to withhold judgment on a case until all the facts are in. But more important still, let judgment be based on the facts and not on some wished-for result.

Management must also be patient and thorough in getting at the basic reasons for a union request or griev-

ance. If the same grievance or a series of related grievances keeps coming up, it is no time to become impatient. Rather it is time to take a good long look at the conditions out of which the grievances arise.

Rigid adherence by management to the letter of an agreement when discretion would be reasonable will result in an equal insistence by the union on similar conformity in other instances; and the next time negotiations take place, the chances are the union will want to include clauses to cover every eventuality it can foresee. While not necessarily wrong, such additional clauses multiply the chances for grievances and other kinds of friction.

Finally, management should try to make it clear that problems which arise out of the terms of the agreement are problems of the union officers as well as of management.

If, when a union representative comes to the management with a grievance, he is asked "What is *our* problem?" rather than "What is *your* problem?" or "What has the *company* done now?" the chances are fairly good that this recognition of common difficulties will help to develop a working-together, rather than a working-against attitude. Since management is usually in the position to take the initiative in these matters, it rests largely with management whether there is a real effort to develop a united front to common problems.

—T. H. Robinson (Manager of Industrial Relations, Canadian International Paper Co.) in a paper delivered before the Canadian Manufacturers' Association.

Team Effort: Key to Big Industrial Sales

How do you keep your salesmen working on big, important prospects who may not be "sold" for two or three years or more but who at that time may become permanent, high-volume customers? How do you keep the salesman working on such prospective buyers when the prevailing bonus and incentive systems put pressure on him for immediate sales—and tend to occupy him with the low-price, faster-selling products in your line and with the type of smaller customer who can be sold more quickly?

Leading industrial sales executives questioned by *Industrial Marketing* magazine believe group sales effort is what sells the long-term industrial customer. The name sometimes varies (some called it teamwork, or team selling). So does the concept. For at least one executive it meant more than one salesman servicing the customer; for others, it meant the conviction that engineering and other departments beside sales must share the credit—and the rewards—for landing a long-term customer.

There is considerable variation in the methods of paying salesmen so as to stimulate them to work on the long-term customer. These include flat salary decided by a management that takes a salesman's long-term sales effort into account, group bonus paid only after the company passes a quota,

salary plus a combination of group bonus and individual bonus, and "profit-sharing" bonus hitched to company earnings.

A. O. Smith Corp. (Milwaukee, Wisc.) handles the long-term selling problem in several ways.

"In one of the company's divisions, group effort is particularly important and several salesmen may have to 'service' the same account in different areas," reports S. E. Wolkenheim, A. O. Smith's director of marketing. "Here, a group arrangement exists. In order to curtail opportunistic sales of large quantities of products bearing a lower average price, a group bonus percentage of sales is paid, which is based on total gross margin and on realization of quota for the entire division."

The group bonus encourages effort toward long-term selling that will eventually raise the income of the entire division sales staff. At the same time, individual excellence does not go unrewarded. Individual effort is recognized in base salary adjustments."

At the Ventilating Division of Schwitzer-Cummins Co., Indianapolis, the payoff on long-term selling is in sharing the company's earnings. All salesmen work on a salary. In addition, there is a bonus and profit-sharing plan worked out on a yearly basis and dependent upon the company's earnings. Thus teamwork is obtained in selling all accounts.

A variation of this plan is used at Taft-Pierce Mfg. Co. (Woonsocket, R.I.), machinery manufacturer, where a commission on individual sales is combined with a commission on over-all factory sales. The commissions are paid in addition to a basic "drawing account." The incentive system is set up so that salesmen receive commissions on the first dollar of sales.

Another company, a crane and power shovel manufacturer, employs 15 or more district sales managers who supervise distributors and train their salesmen. All sales are through the distributors to industrial plants, construction and mining.

"We are about to install an incentive system to replace the flat salary compensation used since the war for our district sales managers," the sales head said. "This will be on a unit quota basis where the company, as a whole, must reach a satisfactory level of sales before anybody is paid a bonus.

"When this occurs, the individual quotas become effective and are retroactive to base period. This is a cooperative team effort and borders on a profit-sharing plan. We shall pay monthly on shipments and on a "running average" basis so that peaks and valleys are ironed out if the man is anywhere near quota.

"With a plan like this, the incentive always exists, and there is little danger of discouragement, as may happen where bonus is paid on annual, quarterly, or some other fixed period. There is also the incentive for the long-term effort to sell industrials where contacts may be with a half-dozen or more people in one organization."

Most industrial sales executives, it seems clear, are concerned about the long-term selling problem, and many regard elimination or modification of the commission and bonus system as a step toward its partial solution.

This concern, and the philosophy

behind it all, are probably best summed up by Walter P. Paepcke, chairman of the board of Container Corp. of America:

"Sometimes it takes a man three years to develop an account. We want every salesman to work just as hard on the business which requires long-term effort as on current sales. It is only in this way that volume can be built soundly and future sales potentials can be developed."

—MERLE KINGMAN. *Industrial Marketing*, August, 1955, p. 20:4.

Common Denominators of Successful Salesmanship

BY APPLYING standards based on certain known characteristics of successful salesmen, it is often possible for the sales executive to appraise the individual sales applicant succinctly and to make a reasonably sound estimate on his suitability. Here are eight such standards, formulated by Richard S. Schultz of Industrial Relations Methods, Inc., New York:

1. Diversified abilities and information for dealing successfully with problems involving ideas; people; business; sales; products; services; and technical, production, or mechanical situations.

2. Personal relations aptitude, embracing such factors as appearance, manner, energy, self-reliance, self-control, initiative, persistence, enthusiasm, sense of humor, forcefulness.

3. Integrity and character, including all those qualities about an individual and his background which add up to dependability, honesty, and trustworthiness.

4. Mature ambition, reflected in a consistent effort by the individual toward self-improvement and growth in accordance with his qualifications.

5. Stable background, as reflected in family situation, home life, social-reactional activity, and financial status.

6. Communications skill, as revealed by effectiveness or persuasiveness in conveying ideas and information in personal contacts and in writing.

7. Sales-service attitude, as indicated by helping customers or prospects to purchase what they need and by follow-up service or personal contacts to maintain good will as a basis for future business.

8. Demonstrated ability to succeed and make progress in education, training, work, and social life.

—*Sales Management* 6/15/55

SALES THROUGH the nation's 2½ million automatic merchandising machines are conservatively estimated at $1½ billion in 1954, or slightly less than 1 per cent of total retail sales. At its current rate of growth, however—300 per cent in the past 10 years—automatic selling will account for about 3 per cent of total retail sales within a decade. The largest rate of growth since 1946 has occurred in food and beverage dispensers located in factories, schools, and military establishments.

—WILLIAM C. MCCONNELL, JR.

Creative Thinking: The Untapped Profit Potential

A. STEWART THOMPSON, JR.
Supersilk Hosiery Mills
London, Ont.

IN THE *Toronto Globe and Mail* a year ago appeared the following advertisement:

> WANTED: A SCREWBALL
> Must have engineering (preferably electric) and commercial background. A medium-sized manufacturer of diversified electrical products offers a salaried-plus proposition to one who can generate ideas for new items.

According to the dictionary, a screwball is an erratic, eccentric, or unconventional person. Why would any company want a screwball?

Perhaps because he is also a person who is not afraid of ideas. He doesn't "let well enough alone." He can't help feeling there are new ways to make money, new uses for his company's products, different approaches to stubborn problems. In short, the screwball is the person who knows how to use his powers of creative thinking.

"You can't win at business by hard work alone," says a Canadian business leader. "The company that just 'works hard' and expects nothing but hard work from its executives, supervisors, and workers will sooner or later find itself gagging in the dust kicked up by its competitors." The company whose people have the ability to think creatively—as individuals and as members of a team—is the one that reaps the biggest rewards and sets the pace for competition.

The first step in developing this ability is to recognize the need for creative thinking; the second is to develop tolerance for new ideas—even challenging, unfamiliar ideas that don't fit into our established patterns. Don't become discouraged if many of these ideas are impractical; it may take a dozen or more poor ideas to develop a single good one.

Alertness helps to generate ideas. As we go about our work we should observe what we see, particularly things we usually take for granted. Ask questions: "What if this were shorter? Taller? White instead of black?" Try to see each fact or situation as a link in a chain.

Take time out to scan new horizons, time to probe into all aspects of the business.

And, perhaps most important, try to develop a creative climate—one in which executives, supervisors, and foremen must invite and pay attention to ideas from their subordinates. In a creative climate original, non-conformist thinking is encouraged. No

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An expanded version of this article will appear in a forthcoming issue of *The Business Quarterly* of the University of Western Ontario, London, Ont.

one is made to feel foolish because he has suggested a new train of thought.

In the usual management conference, there are many matters to decide. Attention is concentrated on "judicial," or critical, thinking; the development of new and audacious ideas is virtually excluded. Consequently there is a need for "brainstorming" sessions designed especially for creative thinking.

"BRAINSTORMING" TECHNIQUES

In a brainstorming session, a group's attention is focused on a specific problem. The lid comes off and ideas pour out in an atmosphere of uninhibited thinking. Each participant sparks the others. The results are frequently amazing.

Here is the guide one company uses for brainstorm sessions.

1. Let youself go! Plunge immediately into expressing every possible idea that comes to you. Ideas can escape. Don't let them. Express or jot down every idea as it occurs to you.
2. Keep going! The more ideas you have the better the chance of solving the problem.
3. What else? Keep asking your imagination, "What else?" Pile up ideas. Quantity often breeds quality.
4. Judicial thinking is ruled out. Criticism of ideas comes later. The wilder the idea, the better. Think UP!
5. Look for adaptations of the ideas suggested. Improve them. Two more hints are (1) set a time limit. Perhaps six, 10, or 15 minutes. Then provide for a brief period of incubation. Moving to a different room, perhaps to the cafeteria for coffee, may help. (2) Give the entire group, rather than individuals, credit for ideas developed.

An idea cannot pay off until it has been put into action. Ideas developed in brainstorming sessions should be evaluated as soon as possible. There should be a plan for recording, execution, and follow-up.

FORMAL TRAINING PLANS

One company which has instituted formal classes in creative thinking reports:

> Our work to date has been largely experimental. The objective is to develop a systematic approach to the production of original ideas. Course content is as follows: The mental process of creating ideas; routine methods of producing adaptations; complex techniques of original production; group methods. There are 12 sessions. In addition to notes prepared by the training department, several texts on creative thinking are used.

An executive of another company says:

> Our experience has been quite satisfactory. We use the book *Applied Imagination*, by Alex Osborn. The course was confined to our supervisory and key worker group, numbering about 33 persons. They were divided into two classes. Ten formal sessions of 1½ hours each were held on company time; as well as three dinner meetings at the company's expense. While membership was by invitation and acceptance voluntary, very few people missed meetings. At the end, class members set up a permanent dinner club, at which they will continue applying creative thinking to their work and personal problems.

A third company posts a list of problems. Their spokesman comments: "We take considerable pains to express the problem clearly, and we have found many solutions through this method."

ORGANIZING FOR CREATIVE THOUGHT

Persons at all levels of a business should feel responsible for the development of ideas. Here are some suggestions:

1. Orientation of personnel is important. In spelling out each person's responsibility it should be made clear

that his field for creative thinking is not limited by his block on the organization chart. Written position descriptions, if used, should mention the person's obligation to think beyond his own job, and to act as a "creative coach" to his subordinates.

2. Structure counts heavily. If actions in a company are restricted, if there are too many levels to plow through before consulting with the appropriate person, there won't be many possibilities for creative thinking.

3. If ideas are needed, wanted, and expected, management and supervisory personnel must set aside time in each day for creative thinking.

4. Challenging experience stimulates creative thinking. Middle and lower management—and workers too—should share in solving problems that relate to their work.

Creative thinking in technical fields is by no means new; but it is comparatively untried in problems of organization, coordination, labor-management cooperation, morale, motivation, personnel selection and training; in the fields of finance, as well as in sales and manufacturing; in office operations and in business management generally.

Electronic computers and other new machines are taking over much of the hard work of doing business. But business is still and always will be a human activity. Our greatest human ability is the power of creative thinking. The companies that are thoughtfully harnessing this power are those that know how to win.

"Can I Help It If My Letters Ain't Neat?"

or

Miss Jones Is from the Office Pool

Now Mary was, so said her buddies,
Not outstanding in her studies.
A whiz at softball, claimed her backers.
A natural for the Green Bay Packers.
At track events she triumphed breezily,
But spelling—that did not come easily.
For instance, "I" preceding "E"
She'd learn, then be confused by "C."
Her life became a fog of gloom
Pondering over "who" and "whom."
Yet Mary turned her muscled back
On wrestling, golfing, field and track.
She didn't strike a happy balance;
Neglecting all her natural talents
She chose stenography—was duly
Assigned to help yours very truly.

—James Menzies Black

Selecting and Training Effective Salesmen: One Company's Program

DURING THE PAST eight years at Campbell Soup Co. we have developed selection and training programs which have substantially increased the quality of our sales organization, reduced our turnover, and increased each salesman's efficiency and production.

Experience has taught us that to develop a successful, effective sales organization we must begin with the best material we can find. Finding the right kind of sales material requires a well-balanced, thorough selection program.

Here is how we study applicants to determine whether or not we believe they will fit into our organization.

Let us assume that a college placement director has sent a candidate to see one of our district managers. The district manager talks briefly with the candidate and decides that he appears to have possibilities. He asks him to complete an application blank and take three tests: first, the Wonderlic Personnel Test, Form D—a short intelligence test; second, a Guilford Zimmerman Temperament Survey; and third, the Activity Vector Analysis, a relatively new temperament test which we have used for the past three years and found reliable.

We do not consider these tests infallible. We do approve applications on the recommendations of district managers even when temperament tests reveal certain weaknesses, but the tests have been right more times than the district managers.

At the conclusion of the first interview with the applicant his temperament tests are sent to headquarters for scoring and the district manager continues his investigation. He leans heavily on the applicant's work history, his own personal evaluation, and the information he receives from previous employers. He will also visit the applicant's home, talk with his wife and family, and, where possible, talk with his teachers at the college and/or high school levels.

After the final interview, if the district manager concludes that he would like to employ the applicant, the necessary employment papers are completed and forwarded to the division manager, who by this time will have received from headquarters an analysis of the applicant's temperament tests. If everything is in order, the division manager forwards the papers to headquarters for final action. However, should the temperament tests indicate that some risk is involved in the employment of the young man, that information is used to reopen the subject with the district manager.

When the application is received at headquarters a retail credit report is attached, also one from our medical director. If these reports are in order a telegram authorizing employment is sent to the district manager.

Sometimes 10 days to two weeks may elapse between the first interview and the final approval of the application by headquarters. We have lost some good prospects because of this, but the progressive improvement in the quality of our sales organization encourages the conclusion that thoroughness in selecting an applicant far outweighs the dangers of the time factor.

After a salesman is employed he is given a two-weeks' indoctrination program which includes a study of the salesman's manual, production information, and on-the-job training by a retail supervisor and/or a district manager. He is then given a brief test and an informal interview to determine whether or not the salesman thinks he needs further training or is ready to start on his own.

Approximately 60 days from the date of employment, the salesman receives his first formalized training. This is a two-and-a-half-day program which is presented in the city closest to the salesman's home in which we have a plant. This permits the salesman to make a complete plant tour and visit one of our experimental farms. The second training meeting, a more advanced course in the techniques and art of selling, is presented to salesmen 60 to 90 days after the first meeting.

When a salesman has been employed for approximately one year he participates in a third formalized training meeting. This is a fast-moving, highly refined one-day meeting, at which salesmen record in a conference workbook the answers they themselves develop to problems presented at the meeting.

All these meetings are conducted by division managers and division retail supervisors who have had formalized training in presenting these programs to the salesmen in their respective divisions.

It is the responsibility of retail supervisors and district managers to provide on-the-job training to assist salesmen to improve their performance through the application and use of the techniques which they learned at each of the training meetings.

Most of our training programs include post-meeting assignments. They are of a specific nature and are designed to establish the degree to which salesmen have absorbed the programs.

Further evaluations are made on an annual basis through the use of a "success guide." This permits the salesman to make a detailed evaluation of himself once each year. When he has completed his "success guide" it is turned over to the district manager for review. After the district manager and retail supervisor have had an opportunity to study the "success guide" they sit down with the salesman and review each question with him. It is not unusual for salesmen to underrate themselves; this provides district managers with an opportunity to build a man up and then review his weaknesses and how they can be corrected.

This evaluation program provides continuous on-the-job training and makes it possible to evaluate each man's progress. It also provides a way to assist men progressively to improve their performance and production.

—From an address by W. B. NIXON (Vice President, Campbell Soup Co.) before the Annual General Meeting of the Canadian Manufacturers' Association, Inc.

What Mental Illness Costs the Nation

BETWEEN 9 million and 10 million Americans—some 6 per cent of our population—are suffering from serious mental disorders.

On any given day, 750,000 of the mentally sick occupy hospital beds. Another 400,000 should be hospitalized, but facilities are lacking.

The remainder of the estimated 9 million to 10 million mentally ill are so seriously incapacitated as to impair their ability to work, discharge their family responsibilities, or function as useful members of their communities.

"Between 20 and 25 per cent of all employees in any commercial or industrial organization are suffering from some form of mental disorder," Senator George Smathers, of Florida, told Congress, basing his assertion on figures from the National Association for Mental Health.

At least one million man-years are lost annually because of mental illness, the National Health Assembly reports. This is equivalent to $3.78 billion lost in 1953 in earnings alone, and approximately $500 million in federal income tax revenue on the earnings. Other experts estimate loss to industry through lowered productivity because of mental health at $1 billion a year.

The four greatest needs in mental health were outlined at a Congressional committee hearing:

1. We must improve our hospitals and train more personnel—psychiatrists, nurses, occupational therapists, clinical psychologists, aides, and attendants.
2. We need additional clinics, guidance centers, and psychiatric services in local general hospitals.
3. We must develop the field of preventive psychiatry, where the greatest bottleneck also is the need for trained personnel.
4. We need more research workers and more research facilities.

—SAM STAVISKY in *Nation's Business* 7/55

Why Do Sales Executives Fail?

ASKED TO NAME the chief shortcomings of sales executives, 38 top management men surveyed by Charles L. Lapp, Professor of Marketing at Washington University, came up with this list:

1. Not enough direct contact with salesmen
2. Do not keep up with changing trends
3. Fail to delegate authority
4. Too few original ideas
5. Too little time spent in planning
6. Inability to obtain respect of subordinates
7. Too much time spent on routine
8. Unwilling to study and prepare for job
9. Fail to obtain cooperation of other executives
10. Inability to make quick and sound decisions.

Inefficiency was considered the principal reason for the replacement of sales managers. The strongest point of this group, the superiors felt, was origination of ideas; the weakest, coordinating and controlling the follow-through on sales programs.

A Safety Checklist for Top Management

A GOOD SAFETY RECORD in the past may mean trouble ahead, because the importance of safety is felt less strongly—in both office and plant—precisely when accidents have *not* been happening. In any case, a prod from the top executive on safety is a good idea occasionally.

Whether your problem is to lay a new groundwork of safety rules, to improve current practices, or to show your supervisors and department heads that the point of diminishing returns has not been reached, you can check their judgment and determine just where your company stands by pinning down the answers to some often-overlooked questions:

Are your supervisors ignoring experience? In all but the smallest companies, top management should insist on some uniformity of investigation and record-keeping. Laxity in this respect is most common in non-manufacturing lines. There's too much reliance on the fact that operations are relatively hazard-free and accidents few and far between. But changes in methods, location or layout find such companies highly vulnerable.

The degree of formality necessary in safety record-keeping obviously varies with the size of the operation, but the important thing is to have some uniform method of (1) spotlighting hazards and (2) enforcing an immediate probe into accident patterns.

Is housekeeping under control? A company which does not consciously stress safety may be carrying out an effective accident prevention program without realizing it. Companies that insist on cleanliness and order, and see to it that storage facilities are adequate, find that this automatically reduces exposure to the possibility of accidents, and limits the effects of carelessness.

Is the real hazard of lighting understood? Most companies recognize the importance of adequate lighting in warding off accidents. But very few are aware that too much light can create as great a hazard as too little. The contrast between strong glare and shadow can leave a worker temporarily blinded. Prolonged exposure to either extreme of light condition involves serious strain which results in fatigue and increases risk of accidents. Careful review of your lighting fixtures and facilities, the location of windows and types of window may turn up some unsuspected danger points.

Is ventilation or noise a safety problem? It's impossible, of course, to please everybody in the shop or the office. But, from the safety viewpoint, it is important to check from time to time on whether conditions have changed. You may want to consider with your supervisors such questions as:

What is the top number of employees who should be working in a closed area at any one time?

Are poisonous or explosive fumes proving a threat?

Is dust under adequate control?

Are employees safety-minded? Companies differ widely in how they tackle the problem of making employees safety-minded. Large firms often set up elaborate training programs; smaller organizations often shy away from the problem completely. Here are some easy, inexpensive ways to stir up continued employee interest in safety and get full cooperation toward maintaining a good accident record:

1. Set a strong personal example in safety matters. Go out of your way to make it plain that you (and other executives), too, are bound by all safety rules.

2. At any meetings you attend, make a point of working in a safety angle.

3. Make safety awareness a regular part of your discussions with foremen, particularly in considering production problems.

4. Take advantage of the wealth of inexpensive material on safety available.

5. Where there's a special safety problem, publicize it. Devices like graphs showing progress—or lack of it—may help stimulate continuing interest.

Even within the most stringent confines of space and budget, many companies still find room to achieve the major goals of accident reduction. As the low accident frequency rate of the explosives industry proves, it's not the existence of a dangerous condition, but failure to recognize the hazards, that makes a plant unsafe.

—*Staff Report: Personnel Relations* (Research Institute of America, 589 Fifth Avenue, New York 17, N. Y.), May 3, 1955.

What Your Plant Can Do About Air Pollution

PUBLIC AWARENESS of the air pollution problem is on the upswing today. So is public annoyance. Wherever industry is causing—or contributing to—an air pollution problem, companies are realizing that they had better get busy, put their own houses in order, and make sure the public knows about it.

In an industrial community, air pollution is seldom a one-plant offense. If your company is even slightly guilty, it will pay you to do something about it.

How can you tell whether your plant is an air polluter? Here are just some of the things that have to be taken into account: (1) Kind and amounts of polluting materials you discharge from all sources. (2) Whether release is near the ground or from tall stacks; whether it's intermittent, variable or continuous; whether the discharge is hot or cool. (3) Distance from your plant to your neighbors, residences, farms, other industries. (4) Polluting effects of the materials you release—odor, color, gas or dust; effects on man, animals, or vegetation. (5) Type of climate—windy; or clammy, damp, or foggy weather.

There are four main steps in diag-

nosing your plant's air pollution situation and learning what to do about it. These are easy to put on paper, but are rarely as easy to carry out.

1. *Find out what your plant discharges, and how often and how much.* You can list what you discharge by checking all stacks, vents, exhausts, and other outlets. You can determine the rate of exhaust, and whether it's continuous or intermittent.

2. *Find out what pollution you are causing.* This is usually more complicated than determining the amount of pollutants that you put out to the atmosphere. It may involve the application of mathematical formulas developed by scientists to estimate roughly the concentration of pollutants downwind from a given source. Another approach is to measure or observe pollution on location. This may be relatively simple if your plant is in an isolated area, but highly complex if it's in a well-developed industrial area. Finally, you can study complaints from neighbors on odors, dirtiness, or even vegetation damage. If your own staff is not qualified to carry out the necessary tests and procedures, you may get some help in finding qualified consultants in your field from technical societies that have shown interest in air pollution and that follow such developments closely (e.g., the American Society of Mechanical Engineers, the American Meteorological Association, the American Society for Testing Materials, the American Chemical Society).

3. *Find out how much you have to reduce the pollution.* This is also a problem of research. In many cases, you are limited in what can be done in a practical way by existing equipment and methods. Sometimes it may be impractical to eliminate certain sources of pollution because of the poor economics of treatment or the lack of available facilities.

4. *Find out how to reduce pollution with least cost.* To do this you need to familiarize yourself with all the methods of abating pollution. Here are some of the main ones currently being used by industry:

Adopt a different method of product manufacture. Of course, the best way to abate pollution is not to produce the waste material in the first place—or, at least, to produce as little of it as possible. It may be possible, for example, to make a product by an alternate method that will produce fewer or no waste products.

Use a method that recovers or treats pollutant at a profit. Sometimes pollution abatement can be accomplished at a profit. The product that may be going to the atmosphere could be collected and sold.

Make better use of the atmosphere for dispersing wastes. In other words, use higher stacks. Also, you can take advantage of the vertical rise of stack gases by increasing the speed of discharge (use of narrow rather than wide stack-top openings), or by allowing the gases to escape at as high a temperature as feasible (hot air rises farther). If you can discharge a given amount of pollutant over a longer period of time, the pollution effect will be less than if discharged in a shorter period of time.

Transform or destroy the pollutant. Usually this type of treatment works fine for gaseous pollutants. The petroleum industry is spending much

time and effort to develop the best type of flares to burn smelly waste gases safely without producing smoke.

Mask the odor. Sometimes you can add a highly aromatic substance directly into a process, or into a stack, or into ventilating air that carries odorous materials away from a process, either to cover up the undesirable odor or to cancel it out.

Collect the pollutant. While the above methods may be applicable in certain air pollution situations, it may turn out that the best or only course is to collect the air pollutant. There is no dearth of equipment available to do this. Often several different types will give you the desired results. But some types may be capable of a better job than you need.

If your plant has an air pollution problem, and you are doing everything reasonably justified—devoting time, effort, and money—to correct it, then be sure your neighbors know it. They will give you credit for trying, but they need to be assured that you recognize your own problem—and theirs.

—L. L. FALK. *Factory Management and Maintenance*, August, 1955, p. 98:7.

Cutting Workmen's Compensation Costs—In Advance

SUBSTANTIAL workmen's compensation expenses can be avoided by employers who use pre-employment medical examinations to detect job applicants with spinal defects that make them susceptible to low back injury or disability, a recent study by two Kansas City, Mo., physicians indicates.

Industrial and orthopedic surgeons and insurance carriers agree, noted Drs. Rex L. Dively and Rial R. Oglivi, that low back disabilities and injuries claim "more man-hours lost and dollars spent than any other one compensable condition."

Their conclusions, reported at the annual meeting of the American Medical Association, were based on a study of pre-employment examinations of 6,523 persons.

This included 4,902 during a period of three and a half years at a war plant, and 1,621 during a 13-year period at a coffee processing plant.

Of these, only 39.9 per cent had what could be called normal spines. The rest had congenital abnormalities, spinal arthritis, postural defects, and other adverse spinal conditions. On this basis, 12.5 per cent were limited to duty which was not likely to be hazardous, and 3.6 per cent of all applicants were refused jobs.

In the two plants, the cost of all forms of injuries for an average year was $21,850, while the back complaints accounted for a cost of $9,000, almost 50 per cent of the total.

Since the examination program began 13 years ago, the coffee company has had no serious back-injury cases, and little loss of work time. The reduction of injuries and lost time was "so impressive" that the program was expanded to a 4,700-worker war plant.

In one plant studied, 22 back-injury complaints have been filed in six years. Sixteen of them resulted in loss of 10,036 days and $34,996 in compensation payments. But only five of these employees — who received $5,050 in compensation—had been employed after the company started a pre-employment back-examination program.

The Critical Years in Business

WILLIAM R. KELLY
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ALL too frequently a conviction begins to grow upon the young business man just out of school that his career is serving no worthwhile purpose; that his daily output contributes nothing to mankind, and that his life from Monday to Saturday has little real meaning in the eternal scheme of things. These are critical years—critical to him and the business society in which he earns his living.

The early concepts that conspire to produce such thinking are not too hard to understand. The beginner suddenly finds himself engulfed in a momentous striving for dollar achievement. If he works at selling, the piling of quota upon quota begins to look like a road without end. The cold, calculated, and relentless effort to down the competitor day after day, month after month, year after year, is a far cry from the Saturday afternoon contest of skill that satisfied his competitive spirit. And while he can readily understand the contribution made by industry to the standard of living—automobiles, television, refrigerators for everybody—he can also see that these things haven't made people much happier. All of this becomes the more evident to him as he sees the anxieties, tensions, and insecurities of the world intensified within the business community.

Thus the beginner grows to think of business as a thing apart from life as he has learned to live and understand it. "This new kind of existence," he tells himself, "is unrewarding except in material gain. It is a life with few truly intellectual attachments. In my contribution to the rest of mankind, I am about as unproductive as a horse on a merry-go-round and as useless as last year's calendar."

This soon leads to a compartmentalized existence. Over here he accepts his part in a sterile game; Philistine against Philistine, he strives for a paycheck. Over there, in the few hours left to him, he decides he must live the rest of his life, the important part of his life. He becomes convinced that only in that area can he serve the high purposes of living and find the genuine spiritual, social, intellectual, and artistic rewards.

Now, the great danger is that in this period of business adolescence the youngster may become fixed in an attitude that he will find hard to shake in later years—the belief that profit is an end in itself and the only end in this new area of living.

THE SEARCH FOR VALUES

Such thinking is, of course, distorted and unhealthy. First, such a schizophrenic approach to life breeds doubt and instability. It is a serious

obstacle to personal growth into mental and emotional maturity. It also breeds a peculiar concept of business that is harmful to business.

There is nothing wrong with profit as an individual or corporate aim. It is a stimulating and healthy objective—as long as it is not the only objective. Of serious concern, from management's viewpoint, is the fact that this kind of thinking saps the productiveness of the individual. While symbolic and material progress both serve as powerful incentives in his climb up the ladder to corporate success, it goes without saying that the average man needs more than that to do his best work. The pressures and complexities of modern business require that the mind and its emotions be anchored to the totality of life and that business as a lifetime career be supported by a sense of purpose that goes beyond bread, cocktails, and Cadillacs. The business life that has no ideals to satisfy with its work is as futile as the life overflowing with idealism but unwilling to work at it.

The thing we have got to get across to the beginner is that business, today, for most Americans, is *the* great enterprise in living. Except for the infrequent inroads of war, it absorbs the overwhelming portion of the thought, activity, and time of the nation's adult population. It is so interwoven with the rest of our lives that to rip it out for separate treatment would unravel the entire fabric of day-to-day existence. Somehow, we must find the means to make our people understand early in their training that business is not a mechanical process apart from life—that over and above the well-publicized fact that its technology is used for the well-being of man, it is the number-one area in contemporary living for the fulfillment of life in its finest sense.

Where do we find this fulfillment? Here are a few examples.

THE HANDLING OF CONFLICT

"Eternal conflict," said Justice Holmes, "is one of the laws of life." This inherent urge to conflict is man's curse and blessing. A blessing when he turns his need to survive, to progress and to excel into constructive channels; a curse when it finds expression in his will to kill and otherwise negate his fellow man. Greater wisdom in the handling of conflict should be a challenging objective to the young man who is trying to find purpose in his business life.

Business is a nation's greatest area of conflict—contention within the company for jobs, status, and salary; between companies for customers, earnings, and the other rewards of aggressive enterprise. Conflict on the business scene springs from pretty much the same basic causes as domestic and world conflict, and yet, in the main, it is productive and healthy conflict. Differences are resolved with an ever-increasing measure of skill and patience. More and more we find immediate disagreements being solved within company and industry by people who think in terms of long-range objectives and more enduring values.

The sharing of knowledge through associations, forums, and trade papers is a pretty good example of cooperative effort in business today.

Our progress through the ages is largely a measure of our growing wisdom in the control of our impulsive and violent emotions. It is through the minds of individual men and women that we find the means to deal creatively with our family, community, national, and global conflicts. There is no greater need in the world today than a more mature approach to the handling of conflict. There is no better training ground than the field of industry.

WORDS AND UNDERSTANDING

Because we are inclined to fear the things that we do not understand, semantics is a disturbing term to many. Some have an uneasy feeling that it is at war with their sacred beliefs; to others it appears as a vague academic preoccupation, unsuited to the practicalities of business and other routine affairs of the day.

The study of semantics is the study of the meaning of words, or perhaps better expressed, the meeting of minds through words. Buried in the tomes of Korzybski or isolated in ivory towers, semantics can do little to bring verbal order into a wordgroggy world. Slowly achieving recognition in the restless, impulsive area of business, this study is on the threshold of an impressive social contribution.

Semantics shows why words were coined and how they function. Its principles are as fundamental to mature, adult thinking as the ABC's are to children. If the name sounds mysterious and pedantic, then we must remember that like any other science semantics tries to organize and classify knowledges that already exist for better application in our daily lives.

In its never-ending search to distinguish concrete and referential from emotive and affective words, semantics adds measurably to the perception and expression of the modern business man. It can be a time-saver and a mind-saver to the hard-pressed administrator. Far from seeking to undermine the value of our traditional concepts, semantics gives our "great" words a firmer foundation of meaning and appreciation, and lessens the possibility of later doubt and disillusionment.

There is a great contribution yet to be made within industry in the important field of words and their meanings. In practical application in the day-by-day affairs of the world, semantics can be a tremendous force toward achieving the kind of tolerance and affirmative living that prevails when people are able to get close to the meaning of the words they hear and the words they choose for self-expression. If, as George Eliot said, "The peoples of the world are islands, shouting at one another across seas of misunderstanding," then surely here is another rewarding effort.

The business neophyte is in on the ground floor of this endeavor and has a whole new world of better understanding within his grasp.

PROMOTING MENTAL HEALTH

The young business man who envies the doctor his service to humanity and regards his own contribution as sterile in comparison, might take another look.

Business management has come to understand emotional stress as the consuming occupational illness of our time. From a management viewpoint,

the mind ruled by fear and overactivated by negative emotions, is not a good, long-term, manpower investment. It wastes too much of its time and energy on its own egocentric satisfactions at the expense of objective judgment and accomplishment. And objectivity, especially in the administration of a complex business, is almost the *sine qua non* of corporate success.

But a sick mind and a sick body are everyone's concern. The fears, anxieties, pent-up hostilities, and frustrations developed during the business day not only debilitate the individual, but infect the whole social order of our lives. Physical infirmity traceable to the emotions has become a serious strain on the facilities of medicine as well as the well-being of the family, the community, and the company.

Perhaps the greatest opportunity today for the improvement of mental and emotional health is to be found right in the field of industry—not in medical treatment and cure, but in preventive maintenance. No one has to be a psychiatrist or a psychoanalyst to sense the symptoms of anxiety, fear, and "brainwashing boredom" and do something to maintain the psychological health of his fellow workers, especially those under his supervision.

Looking at it from a cold-turkey management viewpoint, a company can survive and prosper only through the constructive cooperation of all of its members. Teamwork is more than a slogan. It is a symptom of healthy minds and bodies; it is also a symptom of healthy management—the kind that considers what happens to people in the course of producing, as well as the ultimate product and profit.

More than a life-fulfilling achievement, this concern with mental health has a practical value too. Psychological sensitivity—an awareness of the basic emotional needs of people—has received far too little recognition as a requirement for the administrator. Intuitive with a fortunate few, it is something, nevertheless, that can be learned out of books and through experience. It is one of the important intangibles in the art of administration that O. A. Ohmann considers in his thoughtful search for better "skyhooks."*

POLITICAL PHILOSOPHY

Free government and a free economy have much in common. Putting it another way, a nation's business philosophy has a mighty influence upon its political philosophy. Business and agriculture as they exist in America today are two great bulwarks against the inroads of collectivist and totalitarian types of government.

Modern business management, like democracy, gives a man a chance to grow in mind and responsibility and to progress to the full extent of his capabilities. In contrast to collectivism, it feeds the creative spark and builds in him a sense of function and a feeling of significance.

In business we learn to observe the basic principles and processes of the American social order. The corporation, with its stockholder responsibilities, its election and appointment of its wisest people to top positions of trust and responsibility is, in essence, a republican form of government. In no field of non-political experience do we find a better example of the two democratic principles "consent of the governed" and "liberty under law."

* O. A. Ohmann, "Skyhooks." *Harvard Business Review*, May-June, 1955.

Surely some satisfaction beyond the making of money must come to the man who can look ahead to a lifetime occupation in such a fertile field for safeguarding the political heritage of his country. By strengthening the foundations of our democratic structure through our business structures, we work toward a worthy objective. Our people learn the political order by living it in their daily lives.

RELIGIOUS VALUES

If we believe that life must find ultimate fulfillment in the "eternal and absolute standards of God" and if, as Mr. Ohmann avers, a religion gives us a point of philosophical orientation around which life's experiences can be organized and digested, then man cannot deny his business life an outlet for his most compelling expression of life—his spiritual being.

Mr. Ohmann makes a profound and eloquent plea for spiritual rebirth in industrial leadership. "Quite evidently," he says, "our religion of materialism, science, and humanism is not considered adequate. Man is searching for anchors outside himself. He runs wearily to the periphery of the spider web of his own reason and logic, and looks for new 'sky-hooks' "; for an abiding faith around which life's experiences can be integrated and given meaning.

Learning the practical knowledges, techniques, and mechanics of business is essential to the aspiring youngster. But more and more we find top management looking to the *intangibles* —those difficult-to-pin-down qualities that combine to motivate people.

Far from being incompatible with a highly competitive society, these eternal values must co-exist with vigorous, aggressive management to bring out the full productive potential of the corporation—and by "corporation" we must of necessity mean people.

In material abundance ours is a good civilization .It will become a better civilization only in the degree that its people, through their individual efforts, are encouraged to make it better. Since industry must profoundly influence the character and well-being of its people, a tremendous responsibility rests upon the shoulders of business leadership.

The term "industrial statesman" is no empty expression. More and more we discover leaders in business who exert great influence upon the political, social, and spiritual life of the nation. These men, who help transform the successes of technology into higher standards of living, are also bringing the deeper insights of living into the practices of business. Is not the attainment of such leadership, its opportunities and responsibilities, a worthy aim "in anybody's book" of a rewarding life?

Business *is* life—with all its opportunity for fulfillment. Somehow, in their early training and even their pre-business schooling, this story must be told to our young people.

WHERE CREDIT IS DUE: "American efficiency," pronounced a foreign observer back in 1936, "is that indomitable spirit which neither knows nor will be deterred by any obstacle; which plugs away with businesslike perseverance until every impediment has been removed; which simply *must* go through with a job once it has been tackled." The author of this tribute, reports *Time* magazine, was Joseph Stalin.

Adapting the Case Study Method to Sales Training

HOW DO YOU get salesmen to participate enthusiastically in training sessions? The case method, which is being applied increasingly to sales training, reverses the usual procedure of telling men what to do. In the dramatized case method, the salesmen are asked to draw on their experience, solve problems themselves.

A dramatized case session starts by asking the group to listen to a recorded case situation in which a top-notch (although fictional) salesman fails to make a sale. The group discusses the case and exchanges viewpoints as to the reasons for the fictional salesman's failure. Then the men hear a recorded analysis of the case by a panel of sales managers and executives who have had long experience in the field. This is followed by a re-enactment, again on records, of important parts of the same case. This time the fictional salesman on the record employs the panel's recommendations to show how they might be applied in handling the actual situation.

In many companies, dramatized cases have proved themselves an ideal training medium for acquainting new salesmen with the situations they will be encountering in the field, for developing the ability and insight of experienced salesmen, and for capturing the know-how and methods of the top-notch salesmen in the company.

Because it makes men use their heads, the case method implants habits of meeting difficulties with self-reliance, resourcefulness, and judgment. It also stimulates genuine interest in the art of selling, and this interest can be a powerful motivator of increased effort. Once the salesman gets into the habit of analyzing his handling of sales opportunities, he is likely to acquire a "self-training" attitude. This is the surest and most economical way to get good selling behind the product or service.

—ROBERT E. TAYLOR in *Printers' Ink* 8/26/55

Three Laws of Salesmanship

A SALESMAN *has to be active.* No matter how much he knows about the line or how long he has known it, if he isn't active he isn't making the sales he should make. His territory may be good or it may be mediocre potentially. But whatever the potential is, the results are going to be poor if he doesn't work it.

A salesman has to know the product he is selling. And when he is selling a product that the buyer uses in his own business, the salesman has to know the customer's business, too. He must be well informed, so that he can fit the product he sells as exactly as possible to the customer's needs. A satisfied customer is the only kind who gives you, or me, the repeat business that we have to have in order to keep going.

A salesman has to be determined. He must stay on the job until he makes the sale, and not be discouraged because he fails at the first try, or the fifth, or the seventh. They tell us a championship ball team is the one that wins the close games. And a champion salesman is a man who sells the hard prospects as well as the easy ones.

—JOHN L. MCCAFFREY (President, International Harvester Co.), in an address before the Texas Hardware & Implement Association

Cost Improvement Teams Get Results

At Canadian Westinghouse Co. Ltd. (Hamilton, Ont.) the most recent answer to competition is the formation and operation of cost improvement teams or committees in every division of the company. This organized approach is more than an attempt to reduce costs on finished products. It is designed to raise the working efficiency of the whole company—now and in the future.

The organization of the Westinghouse cost improvement program comes right from top management. A headquarters cost reduction staff consists of two full-time coordinators, reporting to the assistant to the president. Their function is to coordinate the activities of all the separate divisions and suggest new lines of approach.

The cost improvement teams and committees are organized on both a divisional and product basis, so as to get the most out of all the available ideas from every member of the workforce. Their primary function is to originate ideas, see how practical they are costwise, and then get them into action. A typical manufacturing cost improvement team, for example, consists of the area superintendent or general foreman acting as chairman, a manufacturing engineer as secretary, a design engineer, a time-study observer, and a cost accountant. If they require information from other departments—such as purchasing, production control, inspection, research and development, shipping, or sales—members are asked to attend the particular meeting.

Each division has at least one man working on cost reduction as a full-time job. Some of the larger divisions have as many as three or four men working under a supervisor, who reports to his own division manager. On top of these full-time people there are also the people working part-time on cost improvement committees, operating on both product and area basis. The number of committees depends on the size of the division; one division, for example, has 15 at the moment.

The function of these committees is to survey and analyze products and processes in specified areas so as to achieve either product improvement at the same cost, or cost reduction with the same or better quality. A secondary function is to investigate general operating expenses as required by the divisional management.

The main idea behind both functions is to stimulate cost improvement ideas and get them into action if practical. The full-time cost reduction people point the way in their investigations, and the committees think up new ideas for improving efficiency and translate them into action. They also put into effect approved cost reduction ideas received through the Company's regular suggestion system.

Committees meet at intervals ranging from twice a week to once every two weeks, depending on the amount of work to be done and the number

of projects to be handled. If, after careful investigation, it is decided to go ahead with a given project, it is assigned a docket number from the series available to the committee to enable them to keep track of all ideas. The job of getting the idea into action is then delegated to one member of the committee. Assisting members are also named if necessary.

Then the project moves rapidly to completion. The design engineer looks after all the design changes, the manufacturing engineer takes care of the methods and tooling, the foreman sees to it that the new methods are put into use, the time study observer sets the new standards, and finally the inspector satisfies himself that quality is up to the required standard.

After the project has been completed and the new procedure or design is in effect, actual savings are calculated. Old and new costs are entered on a special form and presented to the supervisor of cost reduction for the division. He in turn compiles all this information and turns it over to the headquarters cost reduction group.

Throughout the planning of the cost reduction program, of which the teams are just a part, one thing was highly stressed—that the revised method or new design must not sacrifice quality. Actually, in practice most cost reductions result in improved quality, by simplifying either the design or the process.

Another important point in the formal program was the setting of targets for each division as to the percentage of cost reduction expected. Canadian Westinghouse has found that people take much more interest when measured against a monthly quota.

Westinghouse accountants have found that by condensing all the possibilities of cost improvement, it is usually found that 60 per cent of the target dollar comes from design engineering changes, 30 per cent from manufacturing changes, 7 per cent from purchasing, and 3 per cent from the suggestion plan.

—*Plant Administration*, August, 1955, p. 57:5.

Building a Sound Equipment Policy

In today's dynamic economy, an alert equipment policy may spell for a firm the difference between success and a gradual weakening of its competitive position that may end in a failure.

An over-all program of tardy replacement leads ultimately to an obsolete and rundown plant, with excessive operating costs and inferior output. Excessively rapid replacement, on the other hand, strains unduly the capital resources of a firm and fails to realize the maximum return on the investment. Replacement of some equipment too fast and other equipment too slowly spells extra and unnecessary costs, coupled with inefficient use of available capital.

The underlying cost principle that applies to replacement problems is easily stated. The inferiority of the present facility to the best available

replacement—an inferiority which stems from physical deterioration, obsolescence, or both—must be translated into costs, which are then compared with the capital outlay called for by replacement. The only costs pertinent in an equipment study are those that would actually be changed by a decision to replace or not to replace; any costs that have already been incurred will not be changed by a decision to replace and, therefore, should not be considered.

An important non-cost estimate that must be made for new equipment is its primary service life. This is the life during which the equipment is actually expected to serve for the major purpose for which it is acquired. Final use in a standby capacity should not be included in the life estimate.

Once a firm has decided to introduce a scientific equipment procedure, the most important task is the provision for making cost and income estimates.

The responsibility for making equipment analyses may be located almost anywhere in the organizational setup. Regardless of where the responsibility for the formal analysis falls, a successful equipment program will involve the active participation of individuals in most of the major divisions of a firm.

The various departments concerned directly with production can provide records of machine performance and operating costs; records regarding maintenance, repair, and down time; estimates on overhauls and periodic capital additions; installation cost estimates and power requirements; item by item estimates of indirect costs; machine standard times and setup times; machine quality performance records; and scrap and rework costs. Men who work with machines can help with the very important estimate of the primary service life of the proposed equipment.

The purchasing department can supply estimates of the salvage value of old equipment and can obtain equipment price quotations, delivery costs, and terminal salvage value estimates on the new equipment.

The departments dealing with accounting records and cost control can provide historical cost data that may be useful in projecting machine cost estimates into the future. They can also provide information on the cost of floor space, taxes, insurance, power, and fringe labor benefits. These departments may also make valuable audits of equipment analyses and check results to see if anticipated savings are being realized.

The sales department may be called upon to provide forecasts of sales where capacity is involved. Where the quality of the product will be improved with the use of new equipment, the sales department may evaluate the income advantage of this product superiority.

The finance department may give information regarding the availability of capital for the purchase of equipment, determine the appropriate interest rate to be used in analyses, and rank the opportunities for investment.

It is obvious that a firm cannot run an analysis on all of its equipment alternatives every year. How shall it go about selecting those studies that will be most worth while? Here are a few simple check-points that have proved useful to many companies:

1. *Technological developments.* There

is no substitute for alertness. Some communication techniques should be established within the firm so that appropriate equipment studies may be initiated as the result of the information gained about new equipment design and new processes.

2. *Operating costs.* When a firm introduces a systematic replacement program, it usually establishes a more or less comprehensive system for keeping track of equipment costs on each individual machine. Rising repair costs, an increase in spoilage and defective material, an increase in down time, the necessity for more frequent overhauls, and the like, indicate that the machine has become less efficient and is a likely candidate for replacement.

3. *Age of equipment.* Age, of course, is no criterion of obsolescence. Nevertheless, the older the equipment the greater are the chances that it has become obsolete. Some firms have found it feasible to assign some priority to the analysis of their older machines.

—G. J. MATCHETT. *Iron Age*, August 25, 1955, p. 205:6.

Training Foremen in College and Plant

AMERICAN STEEL FOUNDRIES (Hammond, Ind.) has good reason not to expect blank looks from foremen called in for suggestions on such matters as proposed technical or plant improvements.

The company likes to think of its foremen as men of "broadened" ability—the result of a training program that took them to college and through a tour of several plant departments.

For two or more years, foremen invest their own time to take college-level evening classes and earn a certificate in Purdue University's Professional Foremanship Course. Moreover, they undergo a 40-hour indoctrination program at the start of their jobs to give them a personal familiarity with methods and people of other departments related to theirs.

At Purdue, the foremen advance the cash for their schooling—but are reimbursed by the company as they pass each course. Oddly, the cost to the company is much lower than for similar in-plant training given on company time. Foremen's courses at Purdue include fundamentals of practical speaking; psychology, a study of leadership qualifications for foremen and of personnel problems; industrial organization and production; motion and time study; production cost analysis; human relations in industry; and geometry and algebra for foremen.

To acquaint the foreman with the problems and needs of his company, ASF supplements college training with an indoctrination program that sends him from department to department. For example, a new machine-shop foreman would spend a day in the production engineering department to learn how design orders are handled and how cost estimates are made. He would follow up with visits to production control, metallurgy, personnel, forge shop, spring and assembly, inspection, and works engineering.

ASF believes its training helps foremen become management executives as well as work leaders—not only carrying out company policy but helping to shape it.

—Mill & Factory 8/55

Should Your Office Use Open-Shelf Files?

HOUSING AND STORING an ever-growing volume of vital records is a problem that has increasingly perplexed both business and government. In many organizations non-current records—*e.g.*, insurance papers, medical records, and banking papers—must be available; and they must be kept for long periods of time.

Storage of records in outlying areas has brought some relief to the crowding problem in downtown offices. Some organizations have turned to microfilming as a solution to their mounting records-storage problems. This radically reduces the amount of space consumed, but may be relatively expensive.

The open-shelf correspondence file has very definite advantages to offer the records manager in his quest for increased efficiency at minimum cost. Open-shelf filing is not new; insurance companies have used adaptations of this method for years. Only recently, however, have equipment manufacturers marketed appropriate metal or wooden filing racks and accompanying supplies.

With file folders placed in proper sequence on open shelves, rather than in file drawers, reference to the desired guide and folder is much more rapid. The guides are readily visible, and since there is no drawer to be opened and closed, the result is a considerable time reduction per item filed or removed and a reduction in operator fatigue.

Moreover, the volume and cost of space required for open-shelf files is considerably less than that for the conventional upright cabinets. Some manufacturers who make both open and conventional files advise that 50 per cent of floor space may be saved with open files as compared with the drawer files.

Open-shelf equipment, when used in conjunction with terminal-digit systems, is easily expansible. A limited amount of back-shifting is required during transfer periods.

There are, however, disadvantages or limitations of open-shelf filing. Compared with drawers, shelves provide less protection from fire loss, water damage, and atmospheric changes. One organization has attempted to protect its inactive records by providing a metal or fiber cover for the less accessible shelves containing the inactive material. However, any panel, lid, or cover will decrease the efficiency with which active files may be operated.

Also, there is practically no protection from the circulating dust that is always present in the air and which at night has the opportunity to settle upon the files. This, however, has not proved to be a major problem except in those areas where dust is also a problem to other office operations. The use of an air filter is desirable in any records-storage area for health and cleanliness. The occasional use of a hand vacuum cleaner seems to provide adequate cleanliness in open-shelf filing.

What operating conditions should

be studied in order to render a decision concerning your adoption of the open-shelf method?

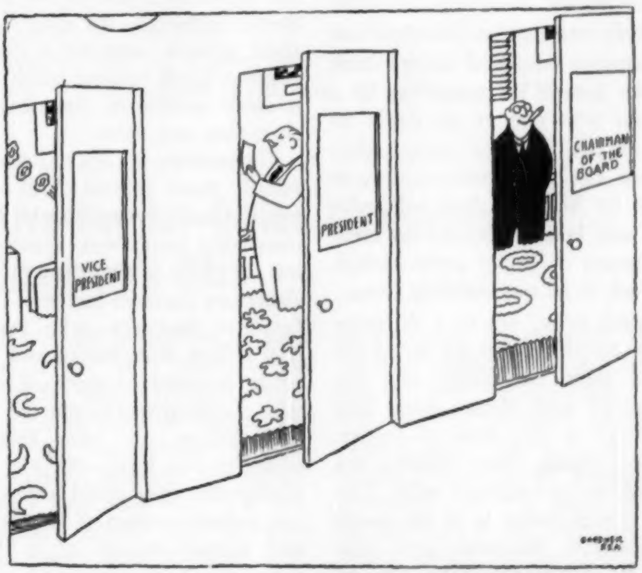
1. Examine the adequacy of your present filing system. A survey by competent personnel may reveal that your present records-storage facilities are entirely adequate, but that a great portion of the available storage space is occupied by papers which would be better filed in the wastebasket or sold as waste paper.

2. Estimate the cost of changing from drawers to open shelves. The cost of floor space now used, plus labor and investment in additional drawer files, should enter into the cost study.

3. Forecast your future operations and future records management needs. If management determines that the records operations will continue to increase in volume and if the survey shows a need for revamping the filing operations, it may be advisable to begin conversion immediately so that there will be continued progress in the records management function.

Office furniture and equipment manufacturers are marketing suitable racks and devices for shelf filing. Additional improvement in the equipment will come as engineers and office managers work together to develop the best equipment for each situation. Supplies and systems adaptable to open-shelf filing needs will likewise improve.

—LOREN E. WALTZ. *Office Management*, September, 1955, p. 23:4.



—Courtesy of Bigelow-Sanford Carpet Co.

Today's Management: Under New Ownership Tomorrow?

TODAY an important change is taking place in the ownership of American industry. It has already come a long way—and it's gathering speed all the time.

More and more of the stock of blue-chip companies—the ones that make up the core of the industrial structure—is coming into the hands of professional investment managers of institutions. Institutions own almost a fourth of U.S. business, based on the dollar value of their holdings of all outstanding stock. Their holdings have been increasing. Since 1952, institutional buyers have been the biggest net purchasers of stocks.

The 19th century corporation was run by someone who held enough stock to consider himself its owner—or by a hired hand who was in no doubt as to the owner. But in recent decades, more and more companies have been run by hired professionals who have no real bosses, because no identifiable person or group owns enough of the stock to be a controlling force.

Now once more, but in a different way, corporate managers are seeing the shares of their companies—and the votes that go with them—going into the hands of a new kind of owner. Taken as a whole, these holdings are big enough to be reckoned with. This time the concentration is in the hands of professional financial men—the managers of investment trusts, pension funds, insurance companies, and the like. Clearly, this doesn't mean the same thing to corporate management that control of such blocks of shares by an individual would. But, equally clearly, it does mean something.

In the past five years, the stockholders of trusteed pension funds—only one-fourth of all pension programs—have quadrupled to $3.1 billion. To be sure, this is only 1 per cent of the market value of the stock of American business. But in the same period, the amount of stock available for purchase increased much less sharply—a 33 per cent increase in the number of shares listed on the New York Stock Exchange, for example. Project those growth rates for a decade, and pension funds become much more formidable owners of American business than they are now.

Ownership, of course, doesn't necessarily mean control. And officers of institutional investors insist that their ownership won't seek control, regardless of how great their holdings in American business become. These professional investors—who manage the $58 billion that institutions have already invested in common stock and who decide where to put the estimated $1.5 billion per year that's being added to that total—disclaim any possibility that they could control American industry—even if they wanted to and owned enough of it. Here are some of their arguments:

1. Even if institutional investors as a group should accumulate statistical control of business, the shares would be held in such small lots—by so many institutions whose investment policies, responsibilities, and philosophies are so divergent—that the control couldn't possibly be voted as a unit.

2. There is small unanimity of opinion among professional investors and even less intercommunication. Without both, there could be no effective collusion.

3. Institutional investment is sophisticated investment. As such, it impels better managerial performance simply by its ability to withhold financial support in a fast-growing economy. The better the management, the less need there is for anyone to exert outside control.

Nevertheless, institutional ownership of U.S. business is still young, and policy is still being formed. The new concentration of stockholdings has so far been passive, but will it stay that way? Some pressures that might modify this passivity can be foreseen:

Suppose, for example, that institutional funds continue to grow faster than the supply of blue-chip securities, and the fund managers have to go deeper into the off-blue chips. Might the funds then try to put blue-chip executives and policies into the less successful companies?

Again, the institutional investor today says he's not qualified to advise company management. But might he tomorrow insist on wider use of management consultants?

If large holdings of a company's shares are in the inactive hands of institutions, might it be easier for an individual outsider to gain control of the active voting shares? Would the institutions, in self-defense, have to abandon their neutrality?

In a business slump, could the institutional investors afford to maintain a hands-off policy toward corporate management?

—BUSINESS WEEK, June 18, 1955, p. 140:7.

Incentive Pay for Office Employees: One Company's Plan

IF A SUBSTANTIAL proportion of your office employees are working on routine clerical jobs, a clerical incentive pay plan recently established for employees of Connecticut General Life Insurance Company, (Hartford, Conn.) may hold some ideas for you.

Like most others, this incentive system is based on a standard task, or the number of units of work that an employee can regularly perform in an hour without extreme effort. Employees who produce more than 70 per cent of standard earn a bonus figured as 1 per cent of the basic hourly rate for every percentage point produced over 70. The bonus is paid in addition to the employee's regular salary, which becomes her guaranteed minimum while working on incentive

jobs. (In most cases, employees aren't on bonus work all the time, but only when large, repetitive projects are involved.)

Before the plan is put into effect for any jobs, the department head must request the installation of the plan, and the employees are carefully briefed on how it works. Then the plan is tried out on a six-month trial basis. Any employee who finds that working under the bonus plan puts her under too much pressure may request a transfer to non-bonus work. If an employee isn't able to produce at 60 per cent of standard after the six-month trial, she is transferred automatically to a different type of work.

According to Henry Dawes, assistant secretary of the company, production has risen about 35 to 40 per cent in key-punch operations. In the stenographic division, where the installation of work measurement and work standards resulted in a 45 per cent gain in productivity over a two-year period, the addition of the Work Bonus Plan resulted in an immediate boost of 18 per cent, bringing the total productivity increase to around 72 per cent. In addition to the gain in productivity, overtime work has been reduced, there is no longer a backlog of work, and turnover has been "drastically reduced" where the plan is in operation.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.), August 25, 1955.

The Outlook for Capital Goods—A New Study

THE POSTWAR BOOM in capital goods has apparently not overreached itself, and a rising level of capital installations should be sustainable in the future, according to the results of a study conducted by the Machinery and Allied Products Institute. This study of the present position of capital goods is the result of four separate tests. These involve a comparison of present installations and stocks with the levels indicated by projecting past trends, first in dollars at constant (1953) prices, and then as ratios to the national product.

The results of the four tests, as summarized by MAPI, are as follows:

1. In relation to the long-term trends prevailing before the depression, postwar plant installations have been running consistently low, while equipment installation rates have generally exceeded trend.
2. The same basic pattern of deviations from trend emerges when postwar installation rates are expressed as a percentage of privately produced gross national product.
3. Stocks of both categories of capital goods have been below their trend projections throughout the postwar period and are still below them.
4. When these stocks are related to the private gross national product, the ratios of stocks to the output are also below the projection of their pre-depression trends.

MAPI estimates that, on the most plausible assumptions, requirements for both plant and equipment will rise by 50 per cent over the next decade.

—*The Controller* 8/55

The Challenge of Selling in 1955

CHANGE — sweeping, nation-wide, constant—is the dominant fact of life all over America, and it is the most important single factor in the marketing of goods.

The dynamic growth that continues to take place in our country has confounded our enemies and heartened our friends. But most explanations of this remarkable phenomenon get lost in awestruck speculations. Why it is happening cannot, apparently, be easily explained; but it can be rather adequately described by vital statistics.

Our population, now somewhere in the neighborhood of 165 million, is expected to be about 185 million in 1960 and over 205 million in 1975. Our birthrate added up to 33 million new Americans between the years 1947 and 1953. It is continuing at the same rate. In addition to this, the life expectancy of all Americans, male and female, is advanced each year.

Contrary to unsupported contentions of certain acidulous critics, the American people approve of the institution of marriage, and from every indication, it will continue to be as popular as ever. During the postwar years, about 15 million American marriages have taken place, and as of 1953 we had in excess of 50 million American families.

Perhaps as important as the rise of our population and family organizations has been the great increase in the capacity of families to buy. It has been pointed out that while the number of our family units increased 42 per cent from 1929 to 1953, these families had $222 billion to spend in 1953, or 87 per cent more than in 1929. But this increase in total family income is only part of the story. Even more vital to the changes in our life has been the broader distribution of income. This is best summed up by the following comparison: today, 58 per cent of our family units have a real income of $3,000 to $10,000, as against 31 per cent in 1929.

Everywhere technological advances have been moving with leaps and bounds. One of the most conspicuous results of this process has been a mounting increase in man-hour productivity, which in turn is translated into greater purchasing power.

But technology has also contributed a vital social by-product. It has released man from backbreaking drudgery and life-consuming toil. Now, his vitality intact, the American worker has the energy and inclination to utilize his leisure time for better living. In effect, with purchasing power, vitality, dignity, and time he has become a greater consumer of more and more goods and services.

The movement into the suburbs is one of the irrepressible and continuous growth factors in the American scene. It is now estimated that more than 30 million Americans are true suburbanites, and many more millions who can be classified as semi-suburbanites. This exodus from center-city is a constant force on the living habits of Americans and on the shape and content of goods that must be produced to accommodate these habits.

The manifestations of our electrifying activity are in demonstration everywhere in terms of the production and distribution of goods and services of every kind. They can be seen in home construction, which in 1955 will consist of well over 1,250,000 new units; in automobile ownership; by new schools, hospitals, and institutions; by TV sets and foreign travel; by expenditures for food and clothing and entertainment; by investments in health and life insurance.

And this market—this voracious ever-hungry, eager, expanding market—must be reached and satisfied every minute of every day. This colossal need is the problem of selling in 1955 and hereafter.

It is a mobile market, and a market that can very easily shed itself of habits. The people in it are adventurous buyers, who are not afraid to try new things, to wear clothes of new fabrics, to experience new foods. And when it likes something it will adopt it for its own. It does not allow itself to be tied down by traditions.

In this market selling does not begin and end with a salesman. It is a planned total operation unlike selling in any other country and involving the design and development of products based upon the right market data, their manufacture at competitive costs and with at least competitive quality, their proper packaging and displaying, their proper pricing, their proper distribution through the right channels to the right market segments, and the right kind of promotion and advertising.

The seller of the future had better be well informed on the developments of new materials and new methods of making things. This market will accept what is new. Those of us who are ready to serve its curiosity and its new tastes will have a very definite selling edge.

—From an address by LEO J. PANTAS (General Manager, Yale Lock and Hardware Division, Yale & Towne Manufacturing Co.) before the Virginia State Chamber of Commerce.

How GAW Will Affect Operating Problems

MANY BUSINESS MEN are convinced that a guarantee of annual pay, toward which the auto industry has taken a first step, is completely outside the responsibility of management in our economic system. Others feel just as earnestly that business and the country as a whole will benefit by the hoped-for stabilization of production and employment in basic industries like autos.

Like the concepts of holidays with pay, fringe benefits, pensions, etc., the GAW will now become part of the basic thinking in the organized labor movement. In industries where it is practical, its pressure will take the form of sharper demands for higher pay, new fringe benefits, shorter workweeks. The resulting union gains, in turn, will ripple out in ever-spreading circles to affect the payrolls and prac-

tices in companies which are not organized.

In the new light of GAW, a good deal of established bargaining practice and policy requires searching re-examination. Generally, the trend in bargaining has been first to give security to the workers on the job in terms of hours of work, wages, seniority, and grievance machinery. After that followed off-the-job protection such as health and welfare programs, pensions, and retirement systems. In the main, these strengthened the security of the senior or older worker. Now the chief concern is becoming protection for the junior worker against loss of job or job income. This calls for a reassessment of the union contract as an instrument of job rights and obligations.

Equally important, many union contracts will be obsolete in terms of the new pressures placed on an employer to stabilize operations. Here are just a few of the clauses requiring a critical re-examination in view of the probable need for automation, shifts to new products and markets, etc.:

1. Many contracts insist on work-sharing or short workweeks before layoffs are permitted. Yet in some situations, layoffs may be more efficient and economical than the reduced workweek.

2. Many contracts strictly limit mobility between jobs, departments, or shifts. Yet firms committing themselves for annual employment compensation must make the fullest productive use of employees.

3. The tendency in recent years to specify in detail the job and its rate is evidenced by numerous grievances and arbitrations. What will be the meaning of these provisions when the emphasis must shift to worker flexibility?

4. In the case of seniority and bumping, the traditional concept of job rights may have to be spelled out differently to avoid serious inefficiency.

5. The right of management to determine products, plant location, seasonality of operation becomes more vulnerable. The question of management prerogatives is a particularly sensitive area, since the union's policy-making role in connection with administration of any GAW fund is as yet an unknown quantity.

6. But stabilization of employment will require the most wholehearted application to the job by the individual worker. This spotlights objectives union and management must work toward together: an awareness on the part of all employees of the need to preserve the fund for their individual benefit; their enthusiastic cooperation in shouldering their full share of the workload; the cooperation of shop stewards and union representatives in backing up management when disciplinary steps are called for.

Smoothing out periodic interruptions in output is sound management policy regardless of the pressure of a GAW commitment. Fluctuations in production entail considerable loss for employers as well as workers. On the labor side, removing the fear of layoffs and interruptions to income can produce tangible results in increased efficiency, higher productivity, and a steadier workforce.

Employment stabilization may also have an important psychological impact on foremen and supervisors.

Where any of them get the feeling that rank-and-file people have achieved greater security than front-line management, a company is in for trouble.

In terms of their jobs, it may be necessary to re-examine or reinforce the responsibilities of foremen. Since GAW puts a premium on a work-force that can be shifted from job to job to avoid layoffs, management will need more flexibility. Here the foremen will probably have to bear the responsibility for additional training, for assignment and reassignment of employees.

Foremen responsibility is likely to increase in another area—the decision as to whether new hires are to be retained at the end of their probationary period. In general, the employer will want better quality where a rank-and-file worker is hired on a guaranteed wage basis. It will be increasingly important to impress this new factor on foremen and supervisors who have the critical decision in their hands.

—From an address by GEORGE MOSKOWITZ (Director, Labor Department, Research Institute of America) before the New York State Telephone Association.

Labor-Management Committees—A Survey of Company Experience

MANY PERSONNEL MEN are inclined to view the numerical decline of labor-management committees in the postwar period as a result of operational problems, poor cooperation, administrative difficulties, limitations, etc., rather than the failure of the idea itself. Intelligent administration, good representation, and proper recognition are mandatory to the success of the labor-management committee.

In surveys conducted in the Cleveland area (considered generally representative of U.S. industry as a whole) the Associated Industries of Cleveland investigated the practices of 12 representative companies among a total of 68 reporting that they had labor-management committees.

These labor-management committees were formed primarily to improve understanding between a company and its people. Some deal with plant safety, incentive, production, job evaluation, others with apprenticeship, upgrading, suggestion awards, and other matters of interest to management and its employees.

Management representation on the labor-management committee is usually permanent. Union representation on the committee is ordinarily determined by vote. The usual term of office is one year.

In general, larger companies are likely to have several labor-management committees, each with a specific function. Smaller companies usually have a single labor-management committee which discusses all matters. Frequency of meetings ranges from monthly to twice weekly, usually on company time. Without exception, members are paid for attendance. Recommendations of such committees are accepted by management of either large or small companies at least 75 per cent of the time. Most managements having committees agree that their benefits are considerable.

—*For the Informed Executive* (Associated Industries of Cleveland) 8/15/55

Also Recommended...

• Brief Summaries of Other Timely Articles •

GENERAL

AMERICA'S NEXT TWENTY YEARS. By Peter F. Drucker. *Harper's Magazine* (49 East 33 Street, New York 16, N.Y.). Reprints 50 cents. In this four-part survey of the future, considered from the aspect of (1) the coming labor shortage, (2) the promise of automation, (3) the new tycoons, and (4) prospective issues in American politics, the author forecasts a plentiful supply of jobs, a sharply rising demand for college education and for a different kind of executive, the emergence of a new breed of financial giant, and some marked changes in political alignments, organizational structure, and voting patterns.

WE'RE ARMING FOR THE WRONG WAR. *Nation's Business* (U.S. Chamber Building, Washington 6, D.C.), August, 1955. 60 cents. A question-and-answer interview with Dr. Vannevar Bush, in which the wartime director of the Office of Scientific Research and Development takes the view that we are heading for an atomic stalemate, and that one of our primary jobs in military planning is to be ready for all-out war and at the same time be in a position to handle secondary wars by modern means.

HOW TO RUN A STOCK SWINDLE. By J. J. Brown. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), September, 1955. $1.25. Ever toyed with the notion of making a cleanup in speculative mining stocks? This author shows you how to extract a million dollars or more from a Canadian moose pasture—provided you happen to be the promoter of the venture.

THE TWILIGHT OF THE PROFIT MOTIVE. By Theodore Levitt. *Annals of American Economics* (2162 Florida Avenue, Washington 8, D.C.). $1.00. Contrast, says the author, the cautious pronouncements of present-day business leaders on the subject of profits with the forthright arguments for the all-out pursuit of gain to which the "robber barons" gave unabashed utterance. From this comparison, he concludes that, as a guiding business principle, profit-making is being replaced by such motivations as personal and institutional fear, envy, and emulation, and the desire for approbation, prestige, power, security, and peace of mind. Mid-twentieth century capitalism, he points out, has evolved to the point where it is control, not ownership, that counts in the power structure of the business organization.

INDUSTRY JOINS THE COMMUNITY. By John J. Pike. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), August, 1955. 35 cents. The current trend in management is to recognize the company's moral and practical obligations to the community in which it is located, says the author. Here he cites a number of examples showing how the application of this principle has paid off for industry in more ways than one.

MANAGERIAL CONTROL. By J. V. McKenna. *Mechanical Engineering* (29 West 39 Street, New York 18, N.Y.), August, 1955. 75 cents. Starting from the premise that preventive action is the essential attribute of a control system, the author here outlines a general theory for designing both simple and complex systems of production, cost, and quality control.

MANAGEMENT ASPECTS OF AIR POLLUTION. By G. Edward Pendray. *Mechanical Engineering* (29 West 39 Street, New York 18, N. Y.), July, 1955. 75 cents. Why does industry, despite the vast sums it has spent to control air pollution, so seldom receive due credit for its efforts in this direction? Mainly because of the inept way the local plant manager generally handles the problem, the author holds. Here he contrasts some typical stalling tactics with the public information program of the Kaiser Steel

Corporation and shows how enlightened management can transform an air-pollution problem into an asset in terms of improved employee and community relations.

AUTOMATION: A NEW DIMENSION TO OLD PROBLEMS. By George P. Schultz and George B. Baldwin. *Annals of American Economics* (2162 Florida Avenue, Washington 8, D.C.). $1.00. A clear explanation of the particular kind of technological change which automation represents, and an analysis of some of its likely effects. For more particular consideration, the authors single out four key areas: (1) The skills that automation will require of the labor force; (2) its effects on job classifications and seniority rules; (3) its implications for education and training; and (4) the problem of displacement.

INDUSTRIAL RELATIONS

RIGHT-TO-WORK LAWS: THE VIRGINIA EXPERIENCE. By John M. Kuhlman. *Labor Law Journal* (214 North Michigan Avenue, Chicago 1, Ill.), July, 1955. $1.00. In this careful appraisal of the right-to-work law in Virginia, the author analyzes the factors that contributed to the passage of the statute in 1947, explains its provisions, and discusses the three court cases in which the law has been involved during the past eight years. He concludes that there is considerable evidence that the law is unenforceable, and that some sort of union security is still practiced by a considerable number of unions and employers in the state.

WHEN TO CHANGE JOBS—AND WHY. By Alan Gregg. *Harper's Magazine* (40 East 33 Street, New York 16, N.Y.), August, 1955. 50 cents. Because of the steadily expanding job market, the question of when to change jobs will become more acute in the immediate future than ever before, the author emphasizes. Dividing a man's working life into four periods—learning (20 to 35), doing (35 to 50), directing (50 to 65), and advising (over 65)—he discusses the specific factors to be taken into account in making a change at each of these stages.

THE SCOPE OF COLLECTIVE BARGAINING. By Robert D. Gray. Circular No. 21, Industrial Relations Section, California Institute of Technology, Pasadena, Calif. Gratis. A substantial proportion of the present confusion about the scope of collective bargaining stems from a failure to distinguish between free and compulsory collective bargaining, this author says. He takes the view that the scope of free collective bargaining should be defined as including "any subject not forbidden by law which is agreeable to both parties," and that compulsory collective bargaining should embrace "wages, hours, and other terms and conditions of employment until there is serious interference with the rights of others or with other rights."

THE IDENTIFICATION OF ACCIDENT PRONENESS. By K. T. Johnstone, M.D. *Industrial Medicine and Surgery* (605 North Michigan Avenue, Chicago 11, Ill.), July, 1955. 75 cents. With the aim of finding out which workers were accident-prone, 65 workers at the Saginaw plant of the Central Foundry Division of General Motors were each given a 15-minute interview that probed for the cause of repeated accidents over a two-month period. Here the author gives a detailed account of the program—which was highly successful in identifying and modifying unsafe behavior patterns—and explains the formula that was evolved to single out workers with an above-average accident record.

HELPING THE WORKER FIT INTO THE TEAM. *Management Methods* (141 East 44 Street, New York 17, N.Y.), July, 1955. 50 cents. A series of studies illustrating some of the human situations that affect worker productivity. Among the behavior patterns discussed and explained here in popular terms are the team spirit, "crew-ways," worker friendships, and acceptance or rejection of newcomers to the work group. The studies are based on current university researches into group behavior and a bibliography is provided.

PRESENTING AN ARBITRATION CASE. By Robert A. Levitt. *The Arbitration Journal* (477 Madison Avenue, New York 22, N.Y.), No. 2, 1955. $1.50. Discusses

the effective presentation of an arbitration case in the light of the nature and functions of the arbitration process and the arbitrator, the techniques and attitudes to which counsel experienced in other fields of law must adjust, and the atmosphere of arbitration proceedings. Various aspects of the arbitration process, such as what constitutes admissible evidence, the citing of precedents, and the cross-examination of witnesses are also touched upon.

OCCUPATIONAL AND NON-OCCUPATIONAL STRESS IN RELATION TO EMPLOYEE HEALTH. By E. P. Luongo, M.D. *Industrial Medicine and Surgery* (605 North Michigan Avenue, Chicago 11, Ill.), June, 1955. 75 cents. From 85 to 95 per cent of employees with emotional difficulties, whether occupational or non-occupational, can find the solution to their problems without recourse to psychiatric treatment, says the author. Here he explains the causes of the commoner types of mental health problems encountered in industry, and shows how, by giving as much attention to environmental stress as to organic health, industrial physicians and nurses can materially reduce the incidence of "nervous breakdowns" among employees.

OFFICE MANAGEMENT

PRINCIPLES, NOT MACHINES, LEAD TO SYSTEMS IMPROVEMENT. By Victor A. Lennon. *Office Management* (212 Fifth Avenue, New York 10, N.Y.), September, 1955. 35 cents. Though electronic devices are not suited to every business situation, their underlying principles can by applied by any concern, the author asserts. Here he explains the basic concept of integrated data processing and offers some general guidance for those who seek to evaluate its advantages in the light of their own company needs.

HOW TO WRITE AN OFFICE MANUAL. By Larry Christenson. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), July, 1955. 35 cents. Many office manuals, though comprehensible to the reader, suffer from a stilted and uninteresting style, thereby losing much of their potential impact. Here the author explains, with illustrative examples, the basic principles for achieving simplicity and directness in writing.

SOME APPLICATIONS OF QUALITY CONTROL TECHNIQUES TO CLERICAL WORK. By Robert B. Selover. *Industrial Quality Control* (50 Church Street, New York 7, N. Y.), August, 1955. $3.00 a year. A detailed account of two applications of quality control techniques to clerical operations in the Prudential Insurance Company. On the basis of this experience, says the author, the company has learned to expect a substantial increase in the percentage of cases handled correctly as the result of a "quality improvement" program.

YOU'RE IN THE PICTURES. By Don Wharton. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), July, 1955. 35 cents. In this interesting account of the origins and development of microfilming, the author traces its history, from George L. McCarthy's chance invention of the "Checkograph" in 1925, down to its widespread applications throughout business and industry today.

HOW FORMS REDESIGN SPEEDED LABOR COST DISTRIBUTION FOR THOMPSON PRODUCTS. By George E. Toles. *Office Management* (212 Fifth Avenue, New York 10, N.Y.), July, 1955. 35 cents. Growing mechanization necessitates the examination of present systems of handling paperwork and the development of new streamlined procedures to match the accelerated pace of the modern office, the author explains. Here he gives a detailed account of the way Thompson Products, Inc., evolved an entirely new type of form for cost recording operations and how it is being applied by the automatic tabulating department at the company's Tapco plant.

STAFF'S RELATIONSHIP WITH LINE. By Robert C. Sampson. *Supervision* (404 North Wesley Avenue, Mt. Morris, Ill.), May, 1955. 75 cents. Staff specialists have a leadership role based on their expert knowledge, the author says, but this leadership must be exercised by helping line management rather than by taking over its responsibilities. When staff performs its function properly, he points out, staff management is strengthened.

PRODUCTION MANAGEMENT

BREAKING OUT OF A BEEHIVE. By Carl W. Keuffel. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), August, 1955. 75 cents. Since 1880, Keuffel & Esser Co. had confined its manufacturing operations to a series of multistoried buildings clustered around an intersection in Hoboken, N.J. After World War II, it was compelled to break out of its beehive and, within the space of eight years, added five new manufacturing divisions and a distribution center in six different communities. Here the author describes how this sudden decentralization was carried out.

PLANNING AND SCHEDULING BIG-PLANT MAINTENANCE. By D. M. Sauerman. *Plant Administration* (481 University Avenue, Toronto, Ont.), April, 1955. $6.00 a year. This account of maintenance planning and scheduling at the Sperry Gyroscope Company describes in detail the budgeting activities of the building services department and the functions of the planning supervisor and his staff.

WHO PAYS FOR YOUR COMPANY ACCIDENTS? By William H. Seymour. *Mill & Factory* (205 East 42 Street, New York 17, N.Y.), July, 1955. 50 cents. A good safety record is not just a matter of luck, the author points out: A sound and workable safety program can bring about consistently good results in improving a company's accident record and so lower its insurance costs. Here he describes the basic eight-point program devised by the Liberty Mutual Insurance Company for reducing the frequency of accidents on the job.

MACHINE TOOL SHOW SECTION. *Steel* (Penton Building, Cleveland 13, Ohio), August 29, 1955. 50 cents. This special section presents (1) the views of a number of top executives in the machine tool industry on a variety of assigned subjects, such as present trends in mechanization, the outlook for export business, equipment factors, new write-off allowances, segmented automation, and machine-tool leasing plans; and (2) the opinions of a group of top production men on what future developments or improvements in machine tools would be most important to them in their own jobs.

5 STEPS TO ELECTRICAL SAFETY. By Harold E. Vann. *Safety Maintenance and Production* (75 Fulton Street, New York 38 N.Y.), July, 1955. 50 cents. Control of electrical hazards is especially important because they are more likely to be fatal than any other type of accident, the author points out. Here he outlines five basic steps for insuring the most effective use of electricity while at the same time eliminating its hazards.

MANUFACTURING ENGINEERING—A KEY TO INCREASED PRODUCTION AND LOWER COSTS. By J. A. Miller. (American Society of Mechanical Engineers, 29 West 39 Street, New York 18, N. Y.). 50 cents. In this paper, presented at the semi-annual meeting of the American Society of Mechanical Engineers last June, the author describes in detail the organization and functions of a new Manufacturing Engineering Department set up by the Transportation and Generator Division, Westinghouse Electric Corporation, to bridge the gap between engineering design and manufacturing process.

THE OUTLOOK FOR MACHINE TOOLS. By Sumner H. Slichter. *The Iron Age* (100 East 42 Street, New York 17, N.Y.), August 25, 1955. 50 cents. In this discussion of the role of capital goods in an expanding economy the author takes the view that the demand for goods will keep pace with the expanding capacity of industry to produce them. Ascribing the rapid increase in expenditures on plant and equipment since 1948 to the growing stimulus provided by technological research, he points out that business men are only just beginning to grasp the potentialities of technological discovery as a device for making goods and equipment obsolete.

20 YEARS AGAINST CORROSION. By Annesta R. Gardner. *Dun's Review & Modern Industry* (99 Church Street, New York 8, N.Y.), August, 1955. 75 cents. Corrosion control is a many-sided problem that calls for constant, cooperative effort by materials suppliers, product designers, fabricators, and the end user, says the author. Here she summarizes the main facts about corrosion that have been uncovered during the past 20 years by International Nickel Company's Corrosion Testing Station at Kure Beach and Harbor Island, N. C.

MARKETING AND SALES MANAGEMENT

7 KEYS TO BETTER CUSTOMER SERVICE. By William J. Tobin. *Printers' Ink* (205 East 42 Street, New York 17, N.Y.), September 2, 1955. 25 cents. Today's sales manager must sell his salesmen on the "service the customer" concept, the author emphasizes. Here he outlines seven ways to make it easier for the sales executive to convince his people of the importance of better customer service.

HOW TO CHANGE A COMPANY NAME. By David Marshall. *Advertising Requirements* (200 East Illinois Street, Chicago 11, Ill.), September, 1955. 50 cents. Selecting a new company name is an art in itself, and even when the right one has been found, there still remains the bigger job of making the actual changeover, the author points out. Here he gives a detailed account of how Farm Bureau Insurance Companies tackled the problem of finding a new name more in keeping with their expanding operations, the criteria that were used in selecting both the name and a new trademark, and the promotional campaign that was carried out to familiarize agents and employees with the change.

A NEGLECTED MARKET. By Robert K. Otterbourg. *Journal of Retailing* (New York University School of Retailing, 100 Washington Square East, New York 3, N.Y.), Summer, 1955. $1.00. Pointing out that by 1957 approximately one-third of the population will be over 45 years of age, the author emphasizes that the advantages of selling to this "mature market" remain largely unexplored. Here he considers the sociological, psychological, and economic characteristics of the 45-65 and over-65 age groups, and suggests a number of products and services that could profitably be merchandised to them.

GOOD MANUFACTURER-DISTRIBUTOR RELATIONS. *Industrial Distribution* (330 West 42 Street, New York 36, N.Y.), September, 1955. 50 cents. A special section that endeavors to point the way to better manufacturer-distributor relations through an analysis of the views of both manufacturers and distributors on sales policies in five key areas: potentials and territories; training, inquiries, and contests; advertising and promotion; manufacturers' representation; and distributors' inventory.

HOW TO USE INDUSTRIAL PUBLICITY TO SUPPORT YOUR ADVERTISING. *Management Methods* (141 East 44 Street, New York 17, N.Y.), July, 1955. 50 cents. In this interview John Sasso, a leading specialist in industrial publicity, supplies, with a number of examples, the answers to a series of questions about the objectives of industrial publicity, and its techniques.

FINANCIAL MANAGEMENT

DIRECT COSTING AND THE USES OF COST DATA. By Raymond P. Marple. *The Accounting Review* (American Accounting Association, College of Commerce, Ohio State University, Columbus 10, Ohio), July, 1955. $1.50. Every costing method must be appraised in the light of the use or uses to be made of the resulting cost data, the author points out. Here he classifies the various purposes for which cost data are being developed today as a background to his thesis that, for internal auditing purposes, direct costing provides more useful and meaningful results than absorption costing.

TAX AUDITING FOR PROFIT. By R. V. Miller. *The Internal Auditor* (120 Wall Street, New York 5, N.Y.), June, 1955. $1.00. There are many ways, the author believes, in which auditors can save taxes for the company. Here he gives a detailed account of how the payment of income, excise, and property taxes is organized and controlled at the Shell Oil Company.

CASH FLOW THROUGH A BUSINESS: WHERE DOES THE MONEY GO? By John A. Griswold. Amos Tuck School (Dartmouth College, Hanover, N.H.), 1955. Gratis. How can the movement of cash into and out of

a business be described understandably to stockholders and employees? The author, a professor of finance at the Amos Tuck School, presents a master chart in which cash movement is likened to the flow of water into and out of a reservoir. He shows also how this chart can be modified to illustrate the finances of a specific company.

CONTROL OF BELOW-THE-LINE COSTS. By Robert C. Perry. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N.Y.), July, 1955. 75 cents. Selling and marketing, administrative, and research and development costs have all added significant amounts to company overhead, and require careful scrutiny and attention if a business is to be operated with maximum efficiency, the author emphasizes. Here he considers these three areas and discusses the fundamental controls that should be applied to each.

PRACTICAL COST CONTROLS—HOW THEY CAN HELP MANAGEMENT IMPROVE PROFITS. By Max Block. *The New York Certified Public Accountant* (677 Fifth Avenue, New York 22, N.Y.), June, 1955. 50 cents. Cost controls are applicable to every department and every function of a business, the author points out. Here he discusses various types of internal reports and their control effects, the major cost factors involved in activity accounting, and the elements of a cost reduction program.

THE ACCOUNTING CHALLENGE IN EMPLOYEE WELFARE FUNDS. By Hester Ellen Erb. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N.Y.), August, 1955. 75 cents. In this review of current accounting and reporting practices of employee welfare funds, the author explains in detail the information which should be supplied and suggests the auditing procedures appropriate for the examination of such funds by independent public accountants.

WHAT DO ANALYSTS LOOK FOR IN COMPANY REPORTS? *Public Utilities Fortnightly* (Munsey Building, Washington 4, D. C.), May 26, 1955. $1.00. A symposium of four prominent analysts discussing their needs in corporate reports, with special reference to utility companies. Clear, detailed facts on operations, earnings, financial status, and—when possible—future prospects head the list; considerable statistical material is also wanted.

INSURANCE MANAGEMENT

THE BROKER RELATIONSHIP. By David H. Winton. *Best's Insurance News* (75 Fulton Street, New York 38, N.Y.), August, 1955. 50 cents. In this discussion of the relationship between the insurance buyer and his broker, the author singles out sound guidance on companies and rates, smooth handling of claims, and careful contract preparation as the prime qualities the buyer looks for in a broker in a general way. Emphasizing, however, that the broker has other, more specific responsibilities to his client, he illustrates some of these by describing the system employed by his own company in handling large compensation accounts.

MARINE DEFINITION AND MULTIPLE LINE POLICY DEVELOPMENTS. By Raymond G. Shepard. *The Weekly Underwriter* (116 John Street, New York 38, N.Y.), August 27, 1955. 25 cents. In this paper, originally presented at the Philadelphia meeting of the American Bar Association, the author discusses the development of multiple line policies since the adoption, in 1953, of the Nationwide Marine Definition. Pointing out that the term "all risks," as used in the Inland Marine field, cannot be literally interpreted, since there are invariably from six to 12 standard exclusions in use by different companies, he advises careful scrutiny of the individual contract, to leave no doubt as to its exact intent or limitation.

A GUIDE FOR THE ORGANIZATION OF FIRE SAFETY IN MODERN INDUSTRIAL ESTABLISHMENTS. National Fire Protection Association (60 Batterymarch, Boston 10, Mass.), May, 1955. 35 cents. This guide, prepared by the NFPA Industrial Committee and intended for "informative and advisory purposes only," offers a set of fundamental principles for the development of a fire safety organization on both the single-plant and the multi-plant basis.

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